遠東國際商業銀行
Far Eastern Int'l Bank

Stock Code:2845
www.feib.com.tw
mops.twse.com.tw
Published Date:
April 13, 2020

# 2019
# Annual Report

## Spokesperson

**Name: Jiann Jong Lin**
**Title: Chief Executive Vice President**
**Tel.:(02) 2378-6868**
**Email: liyunlin@feib.com.tw**

## Acting Spokesperson

**Name: Shin Hwa Chou**
**Title: Executive Vice President**
**Tel.:(02) 2378-6868**
**Email: liyunlin@feib.com.tw**

## Headquarter and branches address and telephone

**Add.: 26, 27F, No. 207, Sec.2, Dunhua S. Rd., Daan Dist., Taipei City, Taiwan**
**Tel.: (02) 2378-6868**
**Branches address refer to context**

## Stock Agent

**Name: Oriental Securities Corporation**
**Add.: 13F., No. 16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan**
**Tel.:(02) 7753-1699**
**Website: http://www.osc.com.tw**

## Credit Rating Institution

**Name: Fitch Australia Pty Ltd., Taiwan Branch**
**Add.: Rm. A2, 23F., No. 68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan**
**Tel: (02) 8175-7600**

## Recent Annual Financial Statement Auditor

**Name: Deloitte & Touche**
**CPA: Chun-Hung Chen, Ying-Chou Chen**
**Add.: 20F, Taipei Nan Shan Plaza, No. 100, Songren Rd., Xinyi Dist., Taipei, Taiwan**
**Tel.: (02) 2725-9988**

## Name of Exchange of Overseas Securities and Inquiry Contact

**Luxembourg Stock Exchange**
**Website: https://www.bourse.lu/**
**ISIN: US30733T2069, US30733T1079**

## Our website

**https://www.feib.com.tw**

# CONTENTS


## I. Chairperson's Message 5

## II. Company Profile 12

1. Date of Establishment....12
2. Company History....12

## III. Corporate Governance Report 14

1. Organization Structure....14
2. Information on Directors, Management Team, Department Heads, Branch Manager and Consultants....17
3. Implementation of Corporate Governance....43
4. Information on CPA audit fees....82
5. Replacement of CPAs....83
6. Chairman, President, and Managers in Charge of Finance or Accounting who holds any positions in the Bank's Independent Auditing Firm or its Affiliates within the recent year....84
7. The Changes in Shareholding....84
8. Relationship among the Top Ten Shareholders....91
9. Shareholding in Affiliated Enterprises....92

## IV. Fund Raising Status 93

1. Capital and Shares....93
2. Issuance of Bank Debenture....99
3. Issuance of Preferred Stock....104
4. Issuance of Global Depository Receipt....105
5. Issuance of Employee Stock Options....105
6. Issuance of New Restricted Shares to Employee....105
7. Mergers and Acquisitions....106
8. The Execution of Fund Utilization Plan....106

## V. Operation Highlights 107

1. Business Activities....107
2. Human Resources....117
3. Corporate Social Responsibility....121
4. Number of Full Time Non-Managers, the Average and Median Number of Non-Managers' salary, and the Differences between 2018 and 2019....123
5. IT Equipment....123
6. Labor Relations....124
7. Important Contracts....127
8. Securitization....130

# CONTENTS


## VI. Financial Information 131

1. Five-Year Financial Summary ....131
2. Five-Year Financial Analysis ....137
3. 2019 Audit committee's Review Report....142
4. 2019 Audited Consolidated Financial Statement ....143
5. 2019 Non-Consolidated Financial Statement ....143
6. The Bank should disclose the financial impacts to the Company and its affiliated companies who have incurred any financial or cash flow difficulties in 2019 and as of the date of the publication of the annual report ....143

## VII. Review of Financial Conditions, Financial Performance, and Risk Management 144

1. Analysis of Financial Status ....144
2. Analysis of Financial Performance ....145
3. Analysis of Cash Flow ....145
4. Major Capital Expenditure in Recent Years ....145
5. Investment Policy in Last Year, Main Causes of Profits or Losses, Improvement Plans and Investment Plans for the Coming Year....146
6. Analysis of Risk Management ....147
7. Contingency Plans for Crisis Management....160
8. Other Important Items ....160

## VIII. Special Disclosure 161

1. Summary of affiliated companies ....161
2. Private Placement Securities and Financial Debenture....163
3. The Company Shares Held or Disposed of by Subsidiaries in the Most Recent Years ....163
4. Other Major Supplementary Information ....163
5. Events Significantly Affecting Shareholders' Equity or Share Prices....163

## IX. Memorabilia (including Headquarter and Branches) 164

Chairperson Ms. Ching-Ing Hou

# Chairperson's Message

Reflecting on 2019, the growth momentum of global economy slowed down significantly by the US-China trade war. On the other hand, the benefits of order transfer, and Taiwanese businessmen's returning investment were driving domestic demand growth and increased Taiwan's GDP to 2.71%. Looking forward to 2020, the uncertainty of the global economy and the impact of Coronavirus pandemic is expected to threaten Taiwan's economic growth. Taiwan financial industry not only expand their business opportunities from Taiwanese businessmen's returning investment, but also have to strengthen risk control due to the increasingly challenging economic situation domestically and in overseas.

Far Eastern International Bank (FEIB) continued its solid growth momentum. In overall financial performance, income after tax for 2019 was NT$3.63 billion, and earnings per share (EPS) was NT$1.08, both increased 3% from 2018. Profit was record high in the past four years. The business scale continued expanding, with total assets exceeding NT$650 billion. For robust asset quality, the NPL ratio was 0.279%.

FEIB had sustained growth in core businesses, and also accelerated digital transformation by combining Fintech with banking in 2019. In digital banking, FEIB participated in the fund-swap regulatory sandbox project which combined our digital sub-brands "Bankee" and innovative fund transaction models to develop new Fintech applications. The retail customer off-counter transaction rate had exceeded 90% by boosting customer's online trading habits, such as deposit, cash withdrawal, fund investment, and currency exchange, etc. Far Eastern Happy Credit Card was promoted as Group's credit card, and the number of circulation cards expanded to 1.5 million. In consumer banking, personal loan had been actively growing up to 9%, and the strategic alliance car loan had since taken the lead in the market. FEIB's wealth management built high-quality brand image and was awarded the "SmartU-innovative new branch" model from the Asset Magazine. Corporation banking developed oversea marketing years after years, and the profit of overseas branches has reached 52% of the bank's income before tax. With the achievement, FEIB was awarded by Asian Banking and Finance as "Taiwan Best Syndication Loan Host Bank of the Year" in 2019. In financial market, both stock and bond trading positions expanded, and the financial transaction revenue increased significantly by 40%.

FEIB pursued sustainable corporate operations and fulfilled corporate social responsibility. FEIB creates public welfare platform and issues affinity card with Eden Social Welfare Foundation, where cumulative donations have reached more than NT$81 million in 22 years. For celebrating the 70th Anniversary of Far Eastern Group, FEIB co-organized charity event of "Far Eastern Children's Story Festival", which collected 15,000 copies of second-hand children's books and Lego bricks, donated to 35 public charities and invited 4,000 children to watch three theater shows. FEIB's 2020 calendar of "Traveling around Taiwan Mountain Houses" was published to promote nature conservation. The international certification of energy management system and greenhouse gas examine was introduced for implementing eco-friendly office environment and FEIB was selected as "Green Procurement Benchmark Unit" from Taipei Environmental Protection Bureau. The corporate social responsibility report was published and won the Silver Award in Taiwan Sustainable Report and the Outstanding Perpetual Award from the British Standards Institution. FEIB offers competitive employee compensation package, and has been selected as one of the constituent companies of the "Taiwan HC 100 Index" for six consecutive years. Moreover, FEIB has been receiving training subsidies from the Ministry of Labor for 17 consecutive years and won the "TTQS Talent Development Quality Management System Evaluation Gold Reward" in recognition of focusing on human resource development. All these had definitely laid a good foundation for FEIB's sustainable development in the future.

Looking ahead to 2020, FEIB will expand domestic and overseas assets in parallel, develop personal and corporate banking via balanced focus, and increase the scale of business in steady pace. The operational priorities include accelerating digital bank development, developing "Bank as a Platform (BaaP)", and connecting the Far Eastern financial ecosystem. The establishment of Singapore and Vietnam rep-offices will be completed to increase oversea profit contribution. The retail banking reorganization is successfully executed that it will improve the organization efficiency, and provide customer-centric operation benefit. Amid turbulent global economy and fierce market competition in 2020, FEIB will adhere to its long-term and stable growth strategies, develop innovative services and products, and diversify sources of profit, in order to achieve win-win goals for shareholders, customers, employees and society.

Vice Chairman Mr. Douglas Tong Hsu

**Operating Results for 2019 and Business Outlook for 2020 are Summarized as Follows:**

# Operating Results for 2019

## 1. Business Plan and Operating Results

Changes in Operations Overview

(NT$MM)

| Item \ Year | 2019 | 2018 | Change Rate |
|---|---|---|---|
| Deposits and Remittance | 654,278 | 626,220 | 4.48% |
| Total Loans | 537,752 | 508,648 | 5.72% |
| Net Securities Investment | 390,200 | 384,923 | 1.37% |
| Equity-Method Long Term Investment | 187,869 | 168,875 | 11.25% |
| Total Trust Assets | 3,942 | 2,795 | 41.04% |
| Deposits and Remittance | 74,444 | 67,979 | 9.51% |

## 2. Business Overview

(1) Budget Achievement

In 2019, FEIB's total assets stood at NT$654.3 billion, achieving 99% of target; total deposits and loans amounted to NT$537.8 billion and NT$390.2 billion, which achieved 101% and 97% of target, respectively.

(2) Analysis of Profitability

FEIB's revenue in 2019 grew 4% (YoY) to NT$11.3 billion where net interest income was NT$5.4 billion, down by 4% (YoY); meanwhile, revenue excluding NII was NT$5.9 billion, up by 12% (YoY).

Net income was NT$3.6 billion, increased 3% (YoY), and EPS was NT$1.08, grew 3% (YoY).

## 3. Ratings

Fitch Ratings released FEIB rating report on June 12, 2019. FEIB's foreign currency LT IDR and national long-term rating was upgraded to BBB and A+(twn), respectively, and foreign currency ST IDR and national short-term rating was remained unchanged at F3 and F1(twn), respectively. With rating outlooks remained stable, FEIB is considered a stable financial institution of investment grade.

President Mr.Thomas Chou

## 4. Research and Development

Amid challenges from internet-only banks, FEIB developed innovative and various Fintech applications with start-up companies, where "Bankee", the digital sub-brand of FEIB is the core to build an open community financial platform (BaaP) and launch digital banking account. FEIB was selected "the Best Open API Platform Blockchain Application Digital Bank" by the 3rd "Hit AI & Blockchain" Summit and was invited to attend the world's largest financial technology exhibition in Singapore. Through a FSC-approved fund swap sandbox project, FEIB co-operated with HowInvest to develop a new business model. As electronic collection and payment became more common, a self-build processing platform was developed and a new type of acquisition service was successfully promoted. Further, via connecting FE cross-border mobile application platform with HAPPY GO Pay, an inner–circled mobile payment model for Far Eastern Group retail channels was initiated. To enhance market competitiveness, the digital trading platform of foreign exchange margin trading was strengthened, and both mobile and pad versions were upgraded, which will then bring more convenient and better trading experience to customers.

## 5. Structural Changes

(1) For increasing operation efficiency, by end of 2019, the old "Retail Banking Group", "Consumer and Credit Card Group", and "Insurance Agency Group" were merged into a new customer-centric "Retail Banking Group" with three departments: "Product & Marketing Department", "Channel & Sales Department" and "Administration Department".

(2) For organization hierarchy consistency and operation management needs, 2 offices were newly established under HQ, i.e. "HQ Business Executive Office" and "HQ Administration Executive Office" to supervise various business groups and administration centers.

## 6. Impact of External Competitions, Legal and Overall Operating Environment

The low profit of Taiwan banking industry was caused by overbanking competition and marginal interest spread. After three online-only bank licenses released, the digital application competition in retail market was further intensified. FSC promoted Open Banking (Open API) and loosened financial technology control, which would drive banking industry more financial innovation development and application. In addition, FSC promulgated more corporate governance regulations. FEIB hence revised and implemented relevant regulations to improve corporate governance standard. FEIB also abided and implemented the Anti-Money Laundering and Countering the Financing of Terrorism regulation by upgrading information security, internal control and legal compliance. In 2019, the US-China trade war was expanding but Taiwan was benefited by Taiwanese businessmen's returning investment. Therefore, FEIB expanded business opportunities in domestic and oversea market, grasped strong growth opportunities in the global financial market, and increased wealth management business.

# Operating Plans for 2020

## 1. Operating Goals

Major operating goals for 2020 are summarized as follows:

(1) Total asset: NT$693.8 billion

(2) Total deposit: NT$561.7 billion

(3) Total loan: NT$410.4 billion

## 2. Policies and Major Strategies

(1) Retail Banking:

A. Wealth Management Business

Taking customers as core, the business will integrate cross-selling effort, enhance sales momentum, and expand the scale of wealth management AUM. The investment ordering platform is upgraded for expanding customer investment flow, and increasing revenue contribution. Exclusive benefits are offered to FEG payroll accounts to increase deposit and investment fee income. VIP customers receive exclusive benefits from consolidated group marketing offers and via customized consulting services, such as taxation, asset allocation, legacy planning, and etc., from bank-invited external experts. The "Senior Management Academy 3.0" is planned with Yuan Ze University to increase VIP customer's loyalty and FEIB's wealth management branding value.

B. Personal Loan Business

Targeting high-interest-spread mortgage customers, and differentiating product portfolio offerings are strategies to boost mortgage business contribution. Online mortgage inquiry platform was developed and online credit application function was upgraded, which combining with digital marketing is aimed to attract more customers. Exploring new strategic alliance and strengthening credit verification are action plans to solidify FEIB's leading position in the market. Big data analysis is implemented to improve risk control and optimize asset quality.

C. Credit Card Business

Far Eastern Happy Credit Card is the focus card, which is to expand its card scale by combining with Group's retail channel resources and connecting with HAPPY GO Pay. Using big data and AI technology, potential customers are targeted and card spending is promoted to increase active cards. The scale of card spending is to increase by allying with FE Group, domestic and oversea strategic partners, connecting with various e-payment tools and expanding card usage points. The credit card digital platform is upgraded, which along with streamlined online application processes and increased digital media output, will support scale expansion of online card customers.

(2) Corporate Banking:

Through the operation strategy of "Based on Greater China, Focusing on Asia Pacific", the Singapore rep-office and Vietnam rep-office are established to accelerate overseas business development. Taiwanese businessmen's returning business opportunities and government projects are actively grasped, which leveraging support from the Group's professional team, lays ground for new customer acquisition. High-value-added corporate banking revenue is to be increased by leading domestic or overseas syndication loans and providing structured and customized financial solutions. Global transaction service business is further developed to expand deposit customer base and optimize deposit structure. Via promoting 2nd-generation corporate online banking and B2B2C lending platform, corporate cash management business is to further grow. Proactive credit risk management is also implemented to strengthen asset quality control.

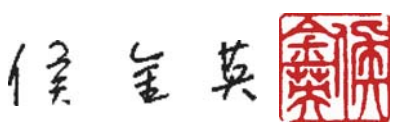
(3) Financial Markets:

Digital platform of foreign exchange margin trading is optimized and connected with social media and other internet access to provide 24 hours' services to customers which can help deepen customers experience and secure FEIB's market leading position. Focusing on professional institutions and high-net-worth investment corporations, the new business of structuring diversified hedging or investment products is developed to meet customers' liability and asset management needs. The pricing and dealing capacity of financial-engineered derivative products is to be further enhanced by engaging in quant trading and new investment. Professional market trading income will be steadily generated by improving market analysis, mastering market volatility, and expanding investment and proprietary trading scale timely.

(4) Digital Banking:

Digital deposit and on-line credit card of "Bankee" is to be actively expanded, in order to branch out social network customer base, and seize market share in digital financing business. A financial open platform BaaP (Bank as a Platform) is created by leveraging open API, connecting cross-industry alliances, and deepening innovative business applications, in order to strive digital transaction cash flow and fee income growth.

Chairman



# II. Company Profile

## 1. Date of Establishment:

January 11, 1992.

## 2. Company History

The Far Eastern International Bank (FEIB) was established by entrepreneur Mr. Y. Z. Hsu, founder of various renowned enterprises including Far Eastern New Century Corp., Far Eastern Department Stores, Asia Cement Corp., etc. with significant contributions to Taiwan's economic developments.

In 1989, Far Eastern Group founder Y. Z. Hsu established a bank organizing committee with a view to establish a private bank in responding to the government's amendment of the Bank Law and policy to liberalize private banks, which aimed to modernize and globalize Taiwan's financial sector. With founding mottos and service guidelines of "Sincerity, Diligence, Thrift and Prudence", the Convokers' Meeting was held on May 14, 1990 and then application was submitted to the Ministry of Finance in October for approval to establish a new bank with capital of NT$10 billion.

On August 1, 1991, the Ministry of Finance approved the establishment of FEIB. After conducting public offer shares, the Establishment Meeting was held on December 9, which passé the article of incorporation and elected nine Directors and three Supervisors for the Board. On January 11, 1992, the Ministry of Economic Affairs approved FEIB's registration and issued a company license; thereafter on April 9 the Ministry of Finance issued an operating license. Soon on April 11, 1992, the Business Department, Saving Department and Taipei Yisen Branch of FEIB began operations. In the early start, FEIB was authorized to operate general banking and saving businesses, then the trust and international banking departments were inaugurated to offer trust, investment, asset management, finance consulting and foreign exchange services. With continuous expansions of operations, the Bank is able to provide clients with new and diversified financial services. At the same time, new branches from north to south of Taiwan were set up at the selected areas with growth potential to build up an island-wide network of service channels.

In November 1995, FEIB went public by listed on the Over the Counter (OTC) market of the Republic of China. In November 1998, the Bank was listed on the Taiwan Stock Exchange. FEIB's investment grade ratings were assessed by world renowned ratings companies and the Bank has been considered a stable financial institution of investment grade. To cope with its enlarging foreign exchange asset and the need for diversified and international portfolio, FEIB was approved by the Ministry of Finance to issue in July 2003 US$110 million worth of Unsecured Convertible Bonds overseas.

Responding to the growing businesses and dynamic market, FEIB underwent several restructurings. In 1999, it was the first bank in Taiwan to set up three major independent Business Groups – Administration, Consumer Banking, and Corporate Banking. Till 2006, FEIB integrated its business units into four Banking Groups – Corporate Banking, Financial Markets, Individual Banking, and Consumer Banking & Credit Cards, and added three management units – Administration & Support Group, Risk Management and IT Management. Then E-banking Business Units were formed under Corporate Banking and Individual Banking Groups specifically responsible for offering borderless, real-time, and 24/7 online banking

services. Operating separately and independently, the Bank's respective business groups continue to bring forth innovative products and services, enhance their expertise, and elevate their efficiency, enabling many businesses to rank first in their respective categories.

To provide customers with more complete international financial services, the first newly opened Hong Kong overseas branch among the three places across the Strait was established in 1996. While seeking business growth and offering professional services, in order to enhance operating efficiency FEIB established in 2008 "Operations & Technology (O&T) Service Center" as the high-efficiency support to the Bank's front desk financial services, which not only saved costs with centralized operations, but also streamlined processing by setting up various efficiency indicators.

Recently, FEIB has engaged in various financial services cooperating with world-class financial institutions. In 2008 FEIB formed alliance with Deutsche Bank AG to establish Deutsche Far Eastern Asset Management Company Limited, in 2009 acquired AIG's credit cards and accounts receivable business, and in 2011 acquired 100% in ING Securities Company Limited from ING Insurance International B.V. which was renamed in the same year as Far Eastern International Securities Company Ltd. after completion of the transaction.

To expand both physical and virtual branches, FEIB launched FE Direct internet-banking service in early 2010, completed the acquisition of Chin-Fon Bank with 19 domestic operating units in April, established in May 2010 the "Small and Medium-sized Enterprise Banking Unit" under Individual Banking Group to implement Big Branch Plan as well as cultivate wealth management and small & medium-sized enterprise financing business in this segment. In 2013, the Bank opened Taipei 101 Branch, the affiliated Far Eastern International Securities Company offers global investments and private banking services to high net-worth customers. In addition, the newly opened Hsinchu Big City Branch and Banqiao Chungben Branch are boutique branches within shopping malls that offer wealth management services to customers as well as shopping lifestyle destination in 2014.

In 2017, to integrate resources, streamline business management and elevate operation synergy, Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Property Insurance Agency Co., Ltd. were merged into FEIB to establish the Insurance Agency Group.

In 2018, to improve the information security level, the "Information Security Department" is set up for formulating the Bank's security strategy and the related planning, promoting, managing and checking.

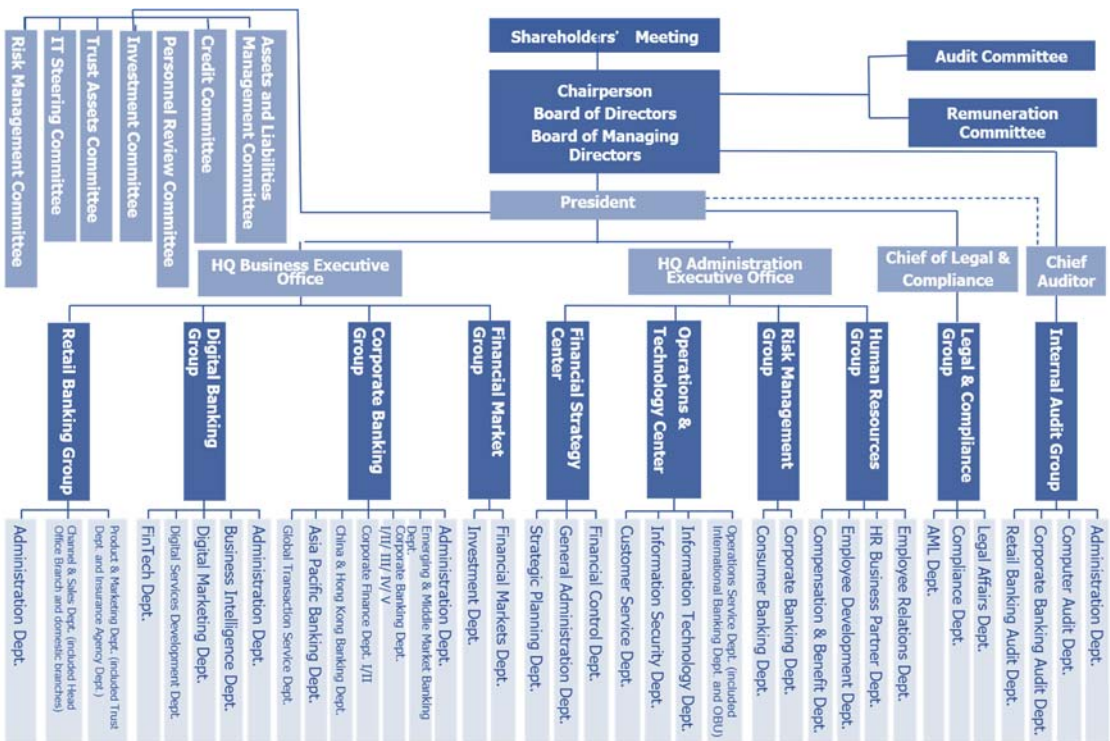
In 2019, to promote organizational innovation and upgrade, improve the efficiency of operations, " Individual Banking Group", "Consumer Banking and Credit Card Group", and "insurance agency Group" merged as customer-centric "Retail Banking Group" , with three functional departments: "Product & Marketing Department", "Channel & Sales Department", and "Administration Department", meet the needs of customers for full coverage of products by R&D merchandises and channel, and create high value-added customers relationship.

After continuous growth and developments, operating with 56 domestic branches (Business Department included) and the Hong Kong Branch, FEIB is committed to enhancing the efficiency of its capital flow and financial transactions and thus contributes to the nation's economy and financial market.

# III. Corporate Governance Report

## 1. Organization Structure

### (1) FEIB's Organization Chart



### (2) Major Business Function of Each Department

A. Retail Banking Group

Take the responsibility of wealth management, consumer finance, credit card payment, trust and other commodities' projects, personal and property insurance agency business operation, brand image development and marketing planning; manage the sales and business management of branches' operation, telephone marketing, and strategic alliance sales; handle strategic planning, performance management, laws and regulations compliance, internal control and project administrative affairs of retail banking

B. Financial Markets Group

Handle operating capital movement, FX and derivative transaction, bond investment and transaction, planning and execution of the whole Bank's asset and liability management, financial advisory service, the stipulating, execution, and performance review and management of mid and long-term investment strategy, review of mid and long-term project investment as well as other relevant advisory and consultation.

C Corporate Banking Group

Draw corporate banking operation guideline, strategy, select target market and handle the marketing, promotion, and performance review of corporate banking products, optimize operating process, upgrade and establish relevant systems to satisfy corporate banking accounts' financial needs, and also manage overseas branch's corporate banking business.

D. Digital Banking Group

Engage in practical Fintech development strategy, promote FEIB's various innovative banking services, and strive to provide to customers the safest, smart, and warm digital banking experience.

E. Operations & Technology Group

Formulate operational policies and regulations, control and improve operational procedures, and process operation for each department. Plan, develop, and promote information operation strategies and system, and provide related consulting services. Formulate and implement information security strategy for whole bank, set standard of information security technology, and responsible for planning, promotion, management and verification of information security matters.

F. Financial Strategy Center

Take the responsibility of FEIB's financial planning, performance analysis, accounting and taxation. Manage corporate governance, land & equipment management and corporate social responsibility promotion. Handle FEIB's medium to long-term strategy planning, strategic long-term investment analysis and evaluation, and coordination and communication with government.

G. Risk Management Group

Formulate and establish risk management policies, principles, systems, relevant regulation, risk assessments and countermeasures.

H. Human Resources Group

Handle personnel appointments, attendance, compensation, benefits, performance, rewards and punishments, promotion, rotation, resignation, employee relations, education and training, and career development.

I. Legal & Compliance Group

Handle compliance planning, management and execution, legal advice, legal document review, litigation, anti-money laundering and anti-terrorism related operations, outsourcing operations management, major non-performing-loan assistance, and other legal compliance and legal related issues.

J. Internal Audit Group

Plan and implement auditing system of FEIB, supervise and review the self-evaluation of each unit, supervise bidding and examine of construction and procurement, tracking and checking the improvement listed in internal control system implement statement and regularly submit audit report to the board.

## 2. Information on Directors, Management Team, Department Heads, Branch Managers and Consultants

### (1) Directors

#### A. Directors' Shareholding and Major Educational (professional) Background

April 13, 2020

| Title | Nationality/ Place of Incorporation | Name | Gender | Date elected / Date first elected | Tem (years) | Shareholding when elected | | Current shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Share | % | Share | % | Share | % | Share | % | | | Title | Name | Relationship | |
| Chairperson | R.O.C. | Yue Ding Industry Co., Ltd. Representative: Ms. Ching-Ing Hou | Female | Jun 20, 2018<br>May 19, 1995 | 3 | 9,700,697<br>*16,324 | 0.3048<br>*0.0005 | 10,227,620<br>*17,210 | 0.3048<br>*0.0005 | 0<br>*0 | 0<br>*0 | 0<br>*0 | 0<br>*0 | ■ Master's degree in Economics, Vanderbilt University, U.S.A.<br>■ BA & Master's degree in Economics, National Taiwan University<br>■ Former Professor, Dept. of Money and Banking, National Chengchi University<br>■ Former Chairperson, Taiwan Academy of Banking and Finance<br>■ Supervisor, Far Eastern New Century Corp. | ■ Director,Southern Taiwan University of Science and Technology | None | None | None | None |
| Vice Chairman | R.O.C. | Douglas Tong Hsu | Male | Jun 20, 2018<br>Dec 09, 1991 | 3 | 6,051,816 | 0.1901 | 6,380,539 | 0.1901 | 0 | 0 | 0 | 0 | ■ Honorary Doctorate of Management from National Chiao Tung University in Taiwan<br>■ MA & BA, University of Notre Dame, U. S. A.<br>■ Post-graduate studies in Economics at Columbia University, U. S. A.<br>■ Chairman, Far Eastern New Century Corp. | ■ Chairman, Far Eastern New Century Corp.<br>■ Chairman, Asia Cement Corp.<br>■ Chairman, Far Eastern Department Stores Ltd.<br>■ Chairman, Far EasTone Telecommunications Co., Ltd.<br>■ Chairman, U-Ming Marine Transport Corp.<br>■ Chairman, Orient Union Chemical Corp.<br>■ Director, Everest Textile Ltd. | None | None | None | - |

| Title | Nationality/ Place of Incorporation | Name | Gender | Date elected | Term (years) | Shareholding when elected | | Current shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Date first elected | | Share | % | Share | % | Share | % | Share | % | | | Title | Name | Relationship | |
| Executive Director | R.O.C. | Far Eastern New Century Corp. Representative: Shaw Y. Wang | Male | Jun 20, 2018 | 3 | 83,245,165 | 2.6154 | 87,766,887 | 2.6154 | 0 | 0 | 0 | 0 | ■ BA, Dept. of Business Administration, National Chung Hsing University<br>■ EMBA Courses, National Taiwan University<br>■ Director & First Senior Executive Vice President, Far Eastern New Century Corp. | ■ Foundation Executive Director of Far Eastern Group<br>■ Director, Far Eastern New Century Corp.<br>■ Director, Far Eastern Asset Management Corp.<br>■ Director, Yuan Ze University | None | None | None | - |
| | | | | Dec 09, 1991 | | *1,605,585 | *0.0504 | *1,692,797 | *0.0504 | *0 | *0 | *0 | *0 | | | | | | |
| Executive Director | R.O.C. | Asia Cement Corp. Representative: Tsung-Ming Chung | Male | Jun 20, 2018 | 3 | 74,814,783 | 2.3505 | 78,878,582 | 2.3505 | 0 | 0 | 0 | 0 | ■ MBA, National Chengchi University<br>■ CPA, Deloitte & Touche | ■ Chairman, DynaPack Corp.<br>■ Independent Director, Chroma Ate Inc.<br>■ Director, Unity Opto Technology Co., Ltd. | None | None | None | - |
| | | | | May 29, 2003 | | *0 | *0 | *0 | *0 | *0 | *0 | *0 | *0 | | | | | | |
| Director | R.O.C. | Far Eastern New Century Corp. Representative: Humphrey Cheng | Male | Jun 20, 2018 | 3 | 83,245,165 | 2.6154 | 87,766,887 | 2.6154 | 0 | 0 | 0 | 0 | ■ EMBA, Graduate Institute of International Business, National Taiwan University<br>■ BA, Dept. of Law, National Chung Hsing University<br>■ Former Executive Vice President, Far Eastern New Century Corp. | ■ President, Far Eastern New Century Corp.<br>■ Chairman, Deutsche Far Eastern Asset Management Company Limited<br>■ Director, Oriental Union Chemical Corporation<br>■ Director, Ding Ding Integrated Marketing Service Co.<br>■ Supervisor, Far Eastern Asset Management Corp. | None | None | None | - |
| | | | | Jun 27, 2006 | | *0 | *0 | *0 | *0 | *0 | *0 | *0 | *0 | | | | | | |
| Director | R.O.C. | Far Eastern New Century Corp. Representative : James Wu | Male | Jun 20, 2018 | 3 | 83,245,165 | 2.6154 | 87,766,887 | 2.6154 | 0 | 0 | 0 | 0 | ■ MBA, University of Missouri, U.S.A.<br>■ Bachelor of Laws, National Taiwan University<br>■ Former Taiwan Country Chief Officer of Deutsche Bank<br>■ Former Vice Chairman of Corporate and Investment Banking in Taiwan, Citigroup<br>■ Former President, Taipei Fubon Bank<br>■ Chief Country Officer, Fidelity Investments in Taiwan | ■ Independent Director, Primax Electronics Ltd. | None | None | None | - |
| | | | | | | *0 | *0 | *0 | *0 | *88,720 | *0.0026 | *0 | *0 | | | | | | |

| Title | Nationality/ Place of Incorporation | Name | Gender | Date elected | Term (years) | Shareholding when elected | | Current shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Date first elected | | Share | % | Share | % | Share | % | Share | % | | | Title | Name | Relationship | |
| | | | | Jun 15, 2017 | | | | | | | | | | ■ Former Taiwan Country Chief Officer, Bankers Trust New York Corporation<br>■ Former Tokyo Branch Chief Officer, Bankers Trust New York Corporation<br>■ Former Vice President, Bankers Trust New York Corporation<br>■ Former President, Bankers Trust Securities<br>■ Former Assistant Vice President, Chase Bank Hong Kong and Taipei Area | | | | | |
| Director | R.O.C. | Asia Cement Corp. Representative: Shi-Chun Hsu | Male | Jun 20, 2018 | 3 | 74,814,783 | 2.3505 | 78,878,582 | 2.3505 | 0 | 0 | 0 | 0 | ■ Ph.D., University of Michigan, U.S.A.<br>■ Founding Dean, College of Management, National Taiwan University<br>■ Former Chairman, Bank of Kaohsiung<br>■ Former Chair Professor of Management, Yuan Ze University | ■ Independent Director, Elite Corporation<br>■ Director, Far Eastern Toll Collection Co., Ltd.<br>■ Director, FETC International Co., LTD.,<br>■ Mr. Kao Jen-Yen Chair Professor, Feng Chia University | None | None | None | - |
| | | | | May 21, 2000 | | *0 | *0 | *0 | *0 | *0 | *0 | *0 | *0 | | | | | | |
| Director | R.O.C. | U-Ming Marine Transport Corp. Representative: Min-Teh Yu | Male | May 21, 2000 | 3 | 74,760,942 | 2.3488 | 78,821,817 | 2.3488 | 0 | 0 | 0 | 0 | ■ Ph.D., Ohio State University, U.S.A.<br>■ Former Dept. Chairman of Financial Management, National Central University<br>■ Former Dean, National Chiao Tung University College of Management<br>■ Former President, Providence University<br>■ Former Professor, Dept. of Finance, National Taiwan University<br>■ Former Commissioner, Resolution Trust Corporation (RTC), Executive Yuan<br>■ Former Commissioner, National Development Fund, Executive Yuan<br>■ Former Advisor, Asian Development Bank | ■ Independent Director, JMicron Technology Corporation.<br>■ Independent Director, Gourmet Master Co., Ltd.<br>■ Director, Harbinger VIII Venture Capital Corp. | None | None | None | - |
| | | | | Jun 20, 2018 | | | | | | | | | | | | | | | |
| | | | | | | *0 | *0 | *0 | *0 | *0 | *0 | *0 | *0 | | | | | | |

| Title | Nationality/ Place of Incorporation | Name | Gender | Date elected / Date first elected | Tem (years) | Shareholding when elected | | Current shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience（Education） | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Share | % | Share | % | Share | % | Share | % | | | Title | Name | Relationship | |
| Independent Director, Managing Director | R.O.C. | Hsiao Hui Wang | Female | Jun 20, 2018 / Jun 20, 2018 | 3 | *0 | *0 | *0 | *0 | *0 | *0 | *0 | *0 | ■ BA, National Chengchi University, Taiwan<br>■ CPA,Deloitte Touche<br>■ Supervisor, CTCI Advanced systems Inc. | ■ Independent Director, Les enphants Co. Ltd.<br>■ Director,TN Soong Foundation<br>■ Member Of Executive Committee, Taiwan Corporate Governance Association | None | None | None | - |
| Independent Director | R.O.C. | Bing Shen | Male | Jun 20, 2018 / Jan 19, 2010 | 3 | *0 | *0 | *0 | *0 | *0 | *0 | *0 | *0 | ■ MBA, Harvard Business School, U.S.A.<br>■ Former Vice President, Morgan Stanley<br>■ Former Executive Director, Morgan Stanley<br>■ Former Executive Vice President, China Development Industrial Bank<br>■ Former President of CDIB & Partners Investment Holding | ■ Independent Director, Far Eastern New Century Corp.<br>■ Independent Director, Elite Material Co., Ltd.<br>■ Director and Convener of Corporate Governance, CTCI Corporation | None | None | None | - |
| Independent Director | R.O.C. | Susan S. Chang | Female | Jun 20, 2018 / Jun 16, 2015 | 3 | *0 | *0 | *0 | *0 | *0 | *0 | *0 | *0 | ■ MA, Dept. of Economics, National Taiwan University<br>■ BA, Dept. of Economics, National Taiwan University<br>■ Former Chairperson, Bank of Taiwan<br>■ Former Chairperson, Taiwan Financial Holdings<br>■ Former Vice Chairperson, Financial Supervisory Commission<br>■ Former Administrative Deputy Minister, Ministry of Finance<br>■ Former Director-General, National Treasury Administration, Ministry of Finance<br>■ Former Vice Commissioner, Bureau of Monetary Affairs<br>■ Former Deputy Chief, Dept. of Monetary Affairs<br>■ Former Deputy Director, Economic Research Dept., Council for Economic Planning And Development, Executive Yuan | ■ Director, Jinniujin Business Co., Ltd.<br>■ Director, Grace Technology Co., Ltd.<br>■ Supervisor, Entie Tech-engineering Co., Ltd. | None | None | None | - |

*The representatives' personal shareholding.

Note: The chairman and the president or equivalent others (the upper management) are the same person, as spouse or as relative with 1 degree of kinship to each other.

Table 1: Major Shareholders of Institutional Shareholders

April 13, 2020

| Name of institutional shareholders | Major shareholders (%) |
|---|---|
| Yue Ding Industry Co., Ltd. | Fu Da Transportation Co., Ltd. (26.95)、Yue-Tung Investment Corp. (25.36)、An Ho Garment Co.,Ltd. (15.66)、Ding Yuan International Investment Corp. (13.20)、Ton Fu Investment Corp. (4.61)、Ta Chu Chemical Fiber Co., Ltd. (3.89)、Ya Li Precast Prestressed Concrete Industries Corp.(3.89)、Yuan Ding Co., Ltd. (2.59)、Bai Ding Investment Co., Ltd. (2.31)、Yu Ming Trading Corp. (1.53) |
| Far Eastern New Century Corp. | Asia Cement Corp. (23.77)、Oriental Institute of Technology (4.81)、Far Eastern Medical Foundation (3.61)、Far Eastern Memorial Foundation (3.42)、Nan Shan Life Insurance Co., Ltd. (2.89)、Yuan-Ze University (2.74)、China Life Insurance Co., Ltd. (1.85)、Douglas Tong Hsu (1.71)、Der Ching Investment Corp.(1.55)、Chunghwa Post Co., Ltd (1.38) |
| Asia Cement Corp. | Far Eastern New Century Corp. (22.33)、Far Eastern Medical Foundation (5.40)、Labor Pension Fund Committee of Far Eastern New Century Corporation (1.55)、Yuan Ding Investment Co., Ltd. (1.53)、Cathay United Bank was entrusted with custody of Yuanta Polaris Taiwan High Dividend Securities Investment Trust Fund Account (1.51)、Far Eastern Department Stores Co., Ltd. (1.49)、Yuan-Ze University (1.41)、Far Eastern Memorial Foundation (1.31)、Yu Yuan Investment Co., Ltd (1.29)、Yuchang Investment Co., Ltd. (1.26) |
| U-Ming Marine Transport Corp. | Asia Cement Corp. (39.25)、Management Board of the Public Service Pension Fund (2.08)、Cathay Life Insurance Co., Ltd. (1.60)、Yuan Ding Investment Co., Ltd. (1.05)、Fubon Life Insurance Co., Ltd. (1.04)、Anjiao Global Development Market Fund account in custody of Taiwan Bank(1.00)、Yu Yuan Investment Co., Ltd. (0.94)、Ding Shen Investment Co., Ltd. (0.94)、TransGlobe Life Insurance Co., Ltd. (0.93)、Asia Investment Corp.(0.92) |

Table 2: Major Shareholders of the Bank's Major Institutional Shareholders

April 13, 2020

| Name of Institutional shareholders | Major shareholders (%) |
|---|---|
| Fu Da Transportation Co., Ltd. | Fu Ming Transportation Co., Ltd.(99.87)、Asia Investment Corp.(0.03) |
| Yue-Tung Investment Corp. | U-Ming Marine Transport Corp.(73.54)、U-Ming Marine Transport (Singapore) Private Ltd.(26.46) |
| An Ho Garment Co., Ltd. | Far Eastern New Century Corp.(100.00) |
| Ding Yuan International Investment Corp. | Far Eastern New Century Corp.(100.00) |
| Ton Fu Investment Corp. | Oriental Union Chemical Corp.(100.00) |
| Ta Chu Chemical Fiber Co., Ltd. | Yuan Ding Investment Co., Ltd.(41.86)、Yue Ding Industry Co., Ltd. (38.76)、Yue Li Investment Corp.(19.38) |
| Ya Li Precast Prestressed Concrete Industries Corp. | Asia Cement Corp.(83.81)、Far-Eastern Construction Engineering Co.,Ltd.(16.03) |
| Yuan Ding Co., Ltd. | Far Eastern New Century Corp.(37.13)、Asia Cement Corp.(35.50)、Der Ching Investment Corp.(14.50)、Yuan Ding Investment Co., Ltd.(12.86) |
| Bai Ding Investment Co., Ltd. | Far Eastern Department Stores Co., Ltd.(66.66)、Bai Yang Investment Corp.(33.34) |
| Yu Ming Trading Corp. | Bai Ding Investment Co., Ltd.(47.00)、Yuan Ding Investment Co., Ltd. (45.50)、Yue Ding Industry Co., Ltd.(5.00)、Ding & Ding Management Consultants Co., Ltd.(1.00)、Yuan Ding Co., Ltd.(1.00)、Yuan Ding Leasing Corp.(0.50) |

| Name of Institutional shareholders | Major shareholders (%) |
|---|---|
| Asia Cement Corp. | Far Eastern New Century Corp. (22.33)、Far Eastern Medical Foundation (5.40)、Labor Pension Fund Committee of Far Eastern New Century Corporation (1.55)、Yuan Ding Investment Co., Ltd. (1.53)、Cathay United Bank was entrusted with custody of Yuanta Polaris Taiwan High Dividend Securities Investment Trust Fund Account (1.51)、Far Eastern Department Stores Co., Ltd. (1.49)、Yuan-Ze University (1.41)、Far Eastern Memorial Foundation (1.31)、Yu Yuan Investment Co., Ltd (1.29)、Yuchang Investment Co., Ltd. (1.26) |
| Nan Shan Life Insurance Co. , Ltd. | First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd.(60.01)、Ruen Chen Investment Holding Co., Ltd.(29.54)、Y. T. Du(2.90)、Runtaixing Co., Ltd. (0.30)、Ruen Hua Dyeing & Weaving Co., Ltd.(0.27)、Ruentex Development Co.,Ltd. (0.23)、R Ruentex Industries Limited (0.21)、Special Account of Nanshan Life Securities Trust in custody of Taishin Bank (0.21)、Yuanxin Investment Co., Ltd. (0.16)、Ruentex Leasing Co., Ltd. (0.13) |
| China Life Insurance Co., Ltd. | China Development Financial Holding Corp.(26.16)、KGI Securities Co., Ltd(8.66)、Cathay Life Insurance Co., Ltd. (3.04)、Videoland Inc. (2.42)、Labor Pension Fund(1.61)、Linglang Zhan(1.24)、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.21)、Citi as Trustee For The Government Of Singapore Investment Corp. (1.17)、Citibank Taiwan in its Capacity as Master Custodian for Investment account of the Central Bank of Norway(1.12)、Funds of Labor insurance (1.03) |
| Der Ching Investment Corp. | Asia Cement Corp. (99.99)、Asia Investment Corp. (0.001) |
| Chunghwa Post Co., Ltd | Ministry of Transportation and Communications, R.O.C. (100.00) |
| Far Eastern New Century Corp. | Asia Cement Corp. (23.77)、Oriental Institute of Technology (4.81)、Far Eastern Medical Foundation (3.61)、Far Eastern Memorial Foundation (3.42)、Nan Shan Life Insurance Co., Ltd. (2.89)、Yuan-Ze University (2.74)、China Life Insurance Co., Ltd. (1.85)、Douglas Tong Hsu (1.71)、Der Ching Investment Corp. (1.55)、Chunghwa Post Co., Ltd (1.38) |
| Yuan Ding Investment Co., Ltd. | Far Eastern New Century Corp. (99.40)、An Ho Garment Co.,Ltd. (0.30)、Ta Chu Chemical Fiber Co., Ltd. (0.30) |
| Far Eastern Department Stores Co., Ltd. | Far Eastern New Century Corp. (17.06)、PJ Asset Management Co., Ltd. (7.75)、Asia Cement Corp. (5.65)、Yuan Ding Investment Co., Ltd. (5.33)、Jiayuan Investment Co., Ltd. (5.05)、Yuan-Ze University (4.75)、Yuan Tong Investment Co., Ltd. (3.61)、Special Account for Investment of the Central Bank of Norway in custody of Citibank(Taiwan) (2.26)、Labor Pension Fund Committee of Far Eastern Department Stores Ltd. (2.11)、Yu Yuan Investment Co., Ltd (2.06) |
| Yu Yuan Investment Co., Ltd. | Asia Cement Corp. (29.92)、Yuan Ding Co., Ltd. (25.02)、Yuan Ding Investment Co., Ltd. (18.96)、U-Ming Marine Transport Corp. (17.66)、Ding Shen Investment Co., Ltd. (6.50)、Yue-Tung Investment Corp.(1.84)、Yue Ding Industry Co., Ltd. (0.10) |
| Yuchang Investment Co., Ltd. | Yusheng Investment Co., Ltd. (99.99)、Daiton West Limited (0.01) |
| Cathay Life Insurance Co., Ltd. | Cathay Financial Holding Co., Ltd.(100.00) |
| Fubon Life Insurance Co., Ltd. | Fubon Financial Holding Co., Ltd.(100.00) |
| Ding Shen Investment Co., Ltd. | Yue-Tung Investment Corp. (18.00)、Asia Investment Corp. (18.00)、Bai Ding Investment Co., Ltd. (18.00)、Ton Fu Investment Corp. (18.00)、Yuan Tong Investment Co., Ltd. (18.00)、Yue Ding Industry Co., Ltd. (5.00)、Ta Chu Chemical Fiber Co., Ltd. (5.00) |
| TransGlobe Life Insurance Co., Ltd. | Chung Wei I Co., Ltd. (100.00) |
| Asia Investment Corp. | Asia Cement Corp. (100.00) |

## B. Directors' Professional Qualifications and Independence Analysis

| Qualifications / Name | Possession of over five-year working experience and the following professional qualifications | | | Compliance with independence (Note) | | | | | | | | | | | | Number of other companies of public offering where the board director or supervisor serves as independent director |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Instructor or higher teaching positions at college departments of commerce, legal affairs, finance, accounting, or others related to the bank's operation | Judge, prosecutor, lawyers, public certified accountant, or other professionals or technicians with national licenses related to the bank's operation | Working experience in commerce, legal affairs, finance, accounting, or other fields related to the bank's operation | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Ching-Ing Hou | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Douglas Tong Hsu | - | - | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | 0 |
| Shaw Y. Wang | - | - | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | | 0 |
| Tsung-Ming Chung | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 1 |
| Humphrey Cheng | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | | 0 |
| James Wu | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 1 |
| Shi-Chun Hsu | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | 1 |
| Min-Teh Yu | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 2 |
| Hsiao Hui Wang | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| Bing Shen | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |
| Susan S. Chang | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |

Note: Mark with a check (✓) under the code number for conformance to the following conditions:

( 1 ) Not an employee of another bank or its affiliates.

( 2 ) Not a director or supervisor of another bank or its affiliates. (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

( 3 ) Not owning, along with his/her spouse and offspring before the age of majority or in others' names, over 1% stake in another bank including stake in others' names, or one of the 10 largest individual shareholders in the bank.

( 4 ) Not a manager listed in (1) or a spouse, relative within second-degree kinship, or relative within fifth-degree kinship of direct lineage of the persons listed in (2), (3).

( 5 ) Not a director, supervisor, or employee of an institutional shareholder with over 5% stake in another bank or being one of the five largest institutional share-holders in the bank, or designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

( 6 ) Not a majority of the bank's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

( 7 ) Not the chairperson, general manager, or person holding an equivalent position of the bank and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

( 8 ) Not a director, supervisor, manager, or shareholder with over 5% stake of a company or institution which has financial or business exchange with another bank. (Not apply to specified company or institution which holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

( 9 ) Not a professional, or owner, partner, director, supervisor, manager, or spouse of one with such position of companies or institutions offering cumulative compensation exceeding NT$500,000 of business, legal, financial, accounting, or consulting services to another bank or its affiliates in the past 2 years; however, this excludes remuneration committee ,public tender offer review committee, or special committee members who exercise their duties in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(10) Not a spouse or a relative within second-degree kinship of one of other directors.

(11) Not an offender of items stipulated in article 30 of the Company Law.

(12) Not a representative of government or corporate body elected via method specified in article 27 of Company Law.

## (2) President, Executive Vice President, Deputy Executive Vice President and Department Heads

(including discretionary trust shares)

April 13, 2020

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| President | R.O.C. | Thomas Chou | Male | Aug 08, 2016 | 1,970,281 | 0.0587 | 0 | 0 | 0 | 0 | ■ President of FEIB, Head of HQ Administration Executive Office<br>■ BA, Dept. of Banking, National Chengchi University | ■ Director, Far Eastern Asset Management Corp.<br>■ Director, Dah Chung Bills Finance Corps.<br>■ Director, Ding Ding Integrated Marketing Service Co.<br>■ Director, Yuan Tai Foreign Exchange Agency | None | None | None | None |
| Chief Executive Vice President | R.O.C. | Jiann Jong Lin | Male | Aug 12, 2016 | 1,372,529 | 0.0409 | 830,495 | 0.0247 | 0 | 0 | ■ Chief Executive Vice President, Head of HQ Business Executive Office and Retail Banking Group of FEIB<br>■ Master of Finance Management, Louisiana State University, U.S.A. | ■ Chairman, Far Eastern Asset Management Corp.<br>■ Director, Far Eastern International Securities Company Ltd.<br>■ Chairman, FEIB Financial Leasing Corp. | None | None | None | - |
| Senior Executive Vice President | R.O.C. | Ben Liao Ru | Male | Aug 21, 2014 | 771,194 | 0.0230 | 1,335,831 | 0.0398 | 0 | 0 | ■ Senior Executive Vice President, Head of Financial Markets Group of FEIB<br>■ Master of International Management, American Graduate School of International Management, U.S.A | None | None | None | None | - |
| Executive Vice President | R.O.C. | Alan Lee | Male | Jul 21, 2008 | 836,424 | 0.0249 | 0 | 0 | 0 | 0 | ■ Executive Vice President, Head of Retail Banking Group Channel & Sales Department of FEIB<br>■ Master of Business Administration, National Chengchi University | None | None | None | None | - |
| Executive Vice President | R.O.C. | Simon Tai | Male | Aug 12, 2016 | 405,610 | 0.0121 | 0 | 0 | 0 | 0 | ■ Executive vice President, Head of Digital Banking Group of FEIB<br>■ Master of Computer Science, Polytechnic University(NY), U.S.A. | ■ Director, Far Eastern International Securities Company Ltd.<br>■ Supervisor, Yuan Hsin Digital Payment Co., Ltd.<br>■ Director, Yuan Bao Fintech Co., Ltd. | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience（Education） | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Executive Vice President | R.O.C. | Sophie Chang | Female | Aug 12, 2016 | 348,636 | 0.0104 | 0 | 0 | 0 | 0 | ■ Executive Vice President, Head of Retail Banking Group Product & Marketing Department of FEIB<br>■ EMBA, National Taiwan University | ■ Director, Far Eastern International Securities Company Ltd. | None | None | None | - |
| Executive Vice President | R.O.C. | Steve Chi | Male | Aug 14, 2018 | 163,690 | 0.0049 | 0 | 0 | 0 | 0 | ■ Executive Vice President, Head of Corporate Banking Group of FEIB<br>■ Master of Business Administration, University of Minnesota, U.S.A | ■ Director, Far Eastern International Securities Company Ltd. | None | None | None | - |
| Executive Vice President | R.O.C. | Lonnie Liu | Male | Mar 20, 2013 | 751,632 | 0.0224 | 0 | 0 | 0 | 0 | ■ Executive Vice President, Head of Operations & Technology Center of FEIB<br>■ Master of Information Management, New York University, U.S.A. | ■ Director, FEIB Financial Leasing Corp. | None | None | None | - |
| Executive Vice President | R.O.C. | James Dai | Male | Aug 14, 2018 | 500,972 | 0.0149 | 0 | 0 | 0 | 0 | ■ Executive Vice President, Head of Risk Management Group of FEIB<br>■ Master of Economics, Feng Chia University | ■ Director, FEIB Financial Leasing Corp.<br>■ Director, Far Eastern Asset Management Corp. | None | None | None | - |
| Executive Vice President | R.O.C. | Shin Hwa Chou | Female | Aug 12, 2019 | 122,567 | 0.0037 | 0 | 0 | 0 | 0 | ■ Executive Vice President, Head of Financial Strategy Center of FEIB<br>■ Master of Financial and Accounting, Case Western Reserve University, U.S.A | ■ Director, DWS Ltd.<br>■ Supervisor , FEIB Financial Leasing Corp | None | None | None | - |
| Chief Auditor | R.O.C. | Chih Wei Huang | Male | Mar 11, 2014 | 156,074 | 0.0047 | 0 | 0 | 0 | 0 | ■ Chief Auditor of FEIB<br>■ Master of Information Management, University of North Texas, U.S. A. | None | None | None | None | - |
| Chief Compliance Officer of the Head Office | R.O.C. | Elaine Yeh | Female | Apr 11, 2019 | 3,600 | 0.0001 | 1,194 | 0.0000 | 0 | 0 | ■ Chief Compliance Officer of the Head Office of FEIB<br>■ EMBA, National Taiwan University | None | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Daphne Huang | Female | Apr 15, 2009 | 217,483 | 0.0065 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ Master of Institutional Management, Purdue University, U.S.A. | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Senior Deputy Executive Vice President | R.O.C. | Ying Ching Hu | Male | Mar 16, 2010 | 434,549 | 0.0129 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ EMBA, National Chengchi University | ■ Director, anfong Company Ltd. | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Sam Tsai | Male | Mar 27, 2012 | 265,351 | 0.0079 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ Master of Financial Management, Syracuse University, U.S.A. | None | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Lionel Chen | Male | Aug 21, 2014 | 238,828 | 0.0071 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, Tamkang University | None | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Hui Ling Chen | Female | Sep 01, 2015 | 23,799 | 0.0007 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ BA, Dept. of Insurance, Tamkang University | None | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Veichou Chih | Male | Dec 24, 2015 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, George Washington University, U.S.A | None | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Roger Lo | Male | Aug 12, 2016 | 33,370 | 0.0010 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, National Chung Hsing University | None | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Vincent Liu | Male | Aug 14, 2018 | 346,281 | 0.0103 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ Master of Economics, Soochow University | ■ Director, FEIB Financial Leasing Corp. | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Yueh Hua Wu | Male | Aug 14, 2018 | 39,292 | 0.0012 | 49,625 | 0.0015 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ BA, Dept. of Economics, National Chung Hsing University | None | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Bob Chen | Male | Aug 14, 2018 | 149,657 | 0.0045 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, University of Dallas, U.S.A. | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Senior Deputy Executive Vice President | R.O.C. | Chen Chen Ma | Female | Aug 14, 2018 | 54,524 | 0.0016 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ BA, Dept. of Business Administration, Chinese Culture University | None | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Isabel Chen | Female | Aug 14, 2018 | 41,738 | 0.0012 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, University of North Texas, U.S.A. | None | None | None | None | - |
| Senior Deputy Executive Vice President | R.O.C. | Bruce Lo | Male | Aug 12, 2019 | 152,375 | 0.0045 | 0 | 0 | 0 | 0 | ■ Senior Deputy Executive Vice President of FEIB<br>■ BA, Dept. of Accounting, National Chung Hsing University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Margaret Du | Female | Aug 23, 2012 | 309,839 | 0.0092 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ BA, Dept. of Banking, Tamkang University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Ines Hong | Female | Dec 21, 2012 | 843 | 0.0000 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ EMBA, National Chengchi University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Chiung Yu Song | Female | Dec 21, 2012 | 449,418 | 0.0134 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ BA, Dept. of Banking, National Chengchi University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Civi Tsai | Female | Dec 21, 2012 | 24,070 | 0.0007 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ EMBA, National Chengchi University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Emily Chou | Female | Aug 15, 2013 | 220,966 | 0.0066 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ EMBA, National Chengchi University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Baker Lin | Male | Aug 21, 2014 | 261,375 | 0.0078 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, Yuan Ze University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Cindy Chen | Female | Aug 21, 2014 | 265,466 | 0.0079 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Accounting, National Chengchi University | ■ Supervisor, Far Eastern Asset Management Corp.<br>■ Supervisor, Far Eastern International Securities Company Ltd. | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Deputy Executive Vice President | R.O.C. | Joy Tien | Female | Jun 16, 2015 | 3,685 | 0.0001 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, Cleveland State University, U.S.A. | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | An Li Ma | Female | Aug 12, 2015 | 135,255 | 0.0040 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Risk Management, Temple University, U.S.A | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Gloria Hsieh | Female | Aug 12, 2015 | 105,311 | 0.0031 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, Aalto University, Finland | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Senh Sing Pei | Male | Aug 12, 2015 | 164,942 | 0.0049 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Money and Banking, National Chengchi University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Teresa Lo | Female | May 03, 2016 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Management Science, National Chiao Tung University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Frank Song | Male | Aug 12, 2016 | 6,173 | 0.0002 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Money and Banking, National Kaohsiung First University of Science and Technology | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Shu Yun Cheng | Female | Aug 12, 2016 | 142,144 | 0.0042 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Finance, University of Illinois at Urbana-Champaign, U.S.A. | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Chingh Siang Chen | Male | Aug 09, 2017 | 1,365 | 0.0000 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ EMBA, National Taiwan University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Kuo Ying Huang | Female | Aug 09, 2017 | 221,319 | 0.0066 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ BA, Dept. of Statistics, Tamkang University | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Deputy Executive Vice President | R.O.C. | Felicia Tseng | Female | Dec 01, 2017 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, University of North Alabama, U.S.A. | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Warren Ko | Male | Dec 18, 2017 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ EMBA, National Sun Yat-sen University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Starsky Chiang | Male | Feb 01, 2018 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ BA, Dept. of International Trade, TungHai University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Wen Ming Yang | Male | Aug 14, 2018 | 28,448 | 0.0008 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, Chinese Culture University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Audrey Lin | Female | Aug 14, 2018 | 1,030 | 0.0000 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ EMBA, National Chengchi University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Karry Tsai | Female | Aug 14, 2018 | 127,043 | 0.0038 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, University of North Alabama, U.S.A. | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Yi Chen Wang | Male | Aug 14, 2018 | 33,193 | 0.0010 | 89,007 | 0.0027 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Management, Yuan Ze University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Alex Kao | Male | Aug 14, 2018 | 294 | 0.0000 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, National Chengchi University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Justice Chang | Male | Aug 14, 2018 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Money and Banking, National Chengchi University | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Deputy Executive Vice President | R.O.C. | Alex Chien | Male | Aug 14, 2018 | 924 | 0.0000 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Money and Banking, Tamkang University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Amber Tseng | Female | Aug 12, 2019 | 136,741 | 0.0041 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ BA, Dept. of Finance, Seattle University, U.S.A. | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Shu Hui Lee | Female | Aug 12, 2019 | 351,098 | 0.0105 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ BA, Dept. of Cooperative Economics, National Chung Hsing University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Patty Wei | Female | Aug 12, 2019 | 158,988 | 0.0047 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Human Resource Management, New York University, U.S.A. | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Din Chan Chen | Male | Aug 12, 2019 | 80,608 | 0.0024 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Finance, National Central University | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Su Hsiang Li | Female | Aug 12, 2019 | 162,918 | 0.0049 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Dept. of Social Work, Hong Kong Catholic English Eve Secondary School | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Tony Li | Male | Aug 12, 2019 | 1,518 | 0.0000 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Laws, National University of Kaohsiung | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Wei Chuan Huang | Male | Aug 12, 2019 | 59,205 | 0.0018 | 243 | 0.0000 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ BA, Dept. of Business Administration, National Taipei College of Business | None | None | None | None | - |
| Deputy Executive Vice President | R.O.C. | Tun Pin Wang | Male | Aug 12, 2019 | 87,096 | 0.0026 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ Master of Business Administration, National Chung Cheng University | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Deputy Executive Vice President | R.O.C. | Chang Ling Chu | Female | Aug 12, 2019 | 928 | 0.0000 | 0 | 0 | 0 | 0 | ■ Deputy Executive Vice President of FEIB<br>■ BA, Dept. of German Language, Chinese Culture University | None | None | None | None | - |
| Senior Vice President | R.O.C. | Allen Li | Male | Aug 12, 2015 | 149,970 | 0.0045 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ Master of Business Adiministration, Yuan Ze University | None | None | None | None | - |
| Senior Vice President | R.O.C. | Mag Chen | Female | Aug 12, 2015 | 98,403 | 0.0029 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ Master of Agricultural Economics, National Chung Hsing University | None | None | None | None | - |
| Senior Vice President | R.O.C. | Allen Lu | Male | Aug 12, 2016 | 547 | 0.0000 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ Master of Business Administration, Tiffin University, U.S.A. | None | None | None | None | - |
| Senior Vice President | R.O.C. | Olive Yin | Female | Aug 12, 2016 | 99,381 | 0.0030 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ Master of Economics, National Taiwan University | None | None | None | None | - |
| Senior Vice President | R.O.C. | Chia Wei Hsiao | Male | Aug 12, 2016 | 100,959 | 0.0030 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ BA, Dept. of History, National Taiwan University | None | None | None | None | - |
| Senior Vice President | R.O.C. | Sofia Hsu | Female | Aug 09, 2017 | 52,724 | 0.0016 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ BA, Dept. of Bank Insurance, Feng Chia University | None | None | None | None | - |
| Senior Vice President | R.O.C. | Wilson Huang | Male | Aug 09, 2017 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ Dept. of Data Processing, National Taipei College of Business | None | None | None | None | - |
| Senior Vice President | R.O.C. | Jeff Chiu | Male | May 07, 2018 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ BA, Dept. of Engineering Science, National Cheng Kung University | None | None | None | None | - |
| Senior Vice President | R.O.C. | Hsing Chien Wei | Male | Aug 14, 2018 | 3,919 | 0.0001 | 284 | 0.0000 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ EMBA, Feng Chia University | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Senior Vice President | R.O.C. | Michael Huang | Male | Aug 12, 2019 | 84,698 | 0.0025 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ Master of Business Administration, National Taiwan University of Science and Technology | None | None | None | None | - |
| Senior Vice President | R.O.C. | Yao Chang Lin | Male | Jan 01, 2020 | 105,076 | 0.0031 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ BA, Dept. of Business Administration, Soochow University | None | None | None | None | - |
| Senior Vice President | R.O.C. | Yu Hui Huang | Female | Jan 01, 2020 | 16,464 | 0.0005 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ Master of Accounting Information and Management, National Chung Hsing University | None | None | None | None | - |
| Senior Vice President | R.O.C. | Jung Chang Juan | Male | Jan 01, 2020 | 837 | 0.0000 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ Dept. of Accounting, Tamsui Oxford University College | None | None | None | None | - |
| Senior Vice President | R.O.C. | Chia Hsun Hsu | Male | Jan 01, 2020 | 26,803 | 0.0008 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ Dept. of international trade, National Taipei College of Business | None | None | None | None | - |
| Senior Vice President | R.O.C. | Heng Kuang Wang | Male | Jan 01, 2020 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Senior Vice President of FEIB<br>■ Dept. of bank and insurance, National Taipei College of Business | None | None | None | None | - |
| Vice President | R.O.C. | Bill Lee | Male | Apr 03, 2010 | 68,369 | 0.0020 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Business Administration, Ling Tung University | None | None | None | None | - |
| Vice President | R.O.C. | Chia Chen Lee | Female | Jan 01, 2013 | 40,132 | 0.0012 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of French Language, Tamkang University | None | None | None | None | - |
| Vice President | R.O.C. | Judy Yu | Female | Jan 01, 2013 | 82,703 | 0.0025 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Human Resource Management, National Sun Yat-sen University | None | None | None | None | - |
| Vice President | R.O.C. | Yu Yu Ho | Female | Jan 21, 2013 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Business Administration, Iowa State University, U.S.A. | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Vice President | R.O.C. | Kun Feng Li | Male | Nov 01, 2013 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Business Administration, Aalto University, Finland | None | None | None | None | - |
| Vice President | R.O.C. | Wei Cheng Chen | Male | Jan 22, 2014 | 655 | 0.0000 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of History, Tunghai University | None | None | None | None | - |
| Vice President | R.O.C. | Wei Li Chuang | Male | Jan 01, 2015 | 17,387 | 0.0005 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Finance, Feng Chia University | None | None | None | None | - |
| Vice President | R.O.C. | Lisa Hsu | Female | Mar 20, 2015 | 94,085 | 0.0028 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Finance, Ming Chuan University | None | None | None | None | - |
| Vice President | R.O.C. | Jane Tsai | Female | Mar 20, 2015 | 51,084 | 0.0015 | 40,811 | 0.0012 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Business Administration, National Cheng Kung University | None | None | None | None | - |
| Vice President | R.O.C. | Chun Yen Kuo | Male | Aug 24, 2015 | 14,495 | 0.0004 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Business Administration, Tamkang University | None | None | None | None | - |
| Vice President | R.O.C. | Kuoh Siung Lin | Male | Nov 13, 2015 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of International Trade, Tunghai University | None | None | None | None | - |
| Vice President | R.O.C. | Wen Feng Tu | Male | Dec 07, 2015 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Dept. of Banking and Insurance, Shih Chien College | None | None | None | None | - |
| Vice President | R.O.C. | Hui Li Tsai | Female | Jun 01, 2016 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Dept. of Accounting and Statistics, National Taipei College of Business | None | None | None | None | - |
| Vice President | R.O.C. | Alen Lin | Male | Aug 12, 2016 | 50,792 | 0.0015 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Finance, Shih Chien University | None | None | None | None | - |
| Vice President | R.O.C. | Shang Fu Lin | Male | Aug 12, 2016 | 16,461 | 0.0005 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of International Business Administration, University of South Australia, Australia | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Vice President | R.O.C. | Chiang Ming Chen | Male | Aug 12, 2016 | 49,896 | 0.0015 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ EMBA, National Cheng Kung University | None | None | None | None | - |
| Vice President | R.O.C. | Kuang Jung Fan | Male | Sep 29, 2016 | 30,077 | 0.0009 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Business Administration, Chung Yuan Christian University | None | None | None | None | - |
| Vice President | R.O.C. | Jui Chen Hsu | Female | May 02, 2017 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Business Administration, Texas A&M University, U.S.A. | None | None | None | None | - |
| Vice President | R.O.C. | Chen I Wang | Female | May 02, 2017 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Management, Lincoln University, U.S.A. | None | None | None | None | - |
| Vice President | R.O.C. | Pi Yun Peng | Female | May 15, 2017 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Finance, Tsinghua University | None | None | None | None | - |
| Vice President | R.O.C. | Chia Jung Chang | Male | May 15, 2017 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Economics, Northeastern University, U.S.A. | None | None | None | None | - |
| Vice President | R.O.C. | Kuan I Li | Male | Jan 01, 2018 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Dept. of Mechanical Engineering, Oriental Institute of Technology | None | None | None | None | - |
| Vice President | R.O.C. | Vivian Lee | Female | May 07, 2018 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Global Entrepreneurial Management, Fu Jen University | None | None | None | None | - |
| Vice President | R.O.C. | Wen Hao Shih | Male | May 29, 2018 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of International Trade, Ming Chuan University | None | None | None | None | - |
| Vice President | R.O.C. | Eason Song | Male | Feb 06, 2017 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Vice President of FEIB<br>■ Master of Insurance Business, Tamkang University | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Vice President | R.O.C. | Ring Tsai | Female | Apr 01, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Economics, National Taipei University | None | None | None | None | - |
| Vice President | R.O.C. | Rich Liu | Male | Apr 01, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Dept. of Industrial Engineering and Management, Lien Ho Junior College of Technology | None | None | None | None | - |
| Vice President | R.O.C. | Winnie Chiang | Female | Aug 12, 2019 | 7,621 | 0.0002 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Business Administration, Taiwan University of Science and Technology | None | None | None | None | - |
| Vice President | R.O.C. | Yu Shui Chen | Male | Aug 12, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of International Finance, National Taipei University | None | None | None | None | - |
| Vice President | R.O.C. | Chin Hsing Yeh | Male | May 06, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Business Administration, I-Shou University | None | None | None | None | - |
| Vice President | R.O.C. | Shin En Shao | Male | Jun 03, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Insurance, Tamkang University | None | None | None | None | - |
| Vice President | R.O.C. | I Wen Pao | Male | Aug 12, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Finance, Shih Chien University | None | None | None | None | - |
| Vice President | R.O.C. | Tse Pin Liang | Male | Aug 12, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Public Finance and Taxation, Aletheia University | None | None | None | None | - |
| Vice President | R.O.C. | Yu Chieh Lin | Female | Sep 03, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Business Administration, National Dong Hwa University | None | None | None | None | - |
| Vice President | R.O.C. | Kuei Jung Lee | Male | Sep 03, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Finance, Shih Chien University | None | None | None | None | - |
| Vice President | R.O.C. | Ke Yao Shen | Male | Nov 04, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of Public Administration, National Chung Hsing University | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Vice President | R.O.C. | I Wen Ho | Female | Nov 06, 2019 | 33,283 | 0.0010 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Dept. of Secretarial Science, Chungyu Institute of Technology | None | None | None | None | - |
| Vice President | R.O.C. | Chia Mei Kuo | Female | Nov 06, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Industrial Management, Taipei University of Science and Technology | None | None | None | None | - |
| Vice President | R.O.C. | Feng Ying Tsai | Female | Jan 01, 2020 | 32,861 | 0.0010 | 0 | 0 | 0 | 0 | ■ Vice President of FEIB<br>■ BA, Dept. of Business Administration, Soochow University | None | None | None | None | - |
| Vice President | R.O.C. | Shia Hsiung Liu | Male | Jan 01, 2020 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Vice President of FEIB<br>■ Phd of Finance, Shanghai University of Finance and Economics | None | None | None | None | - |
| Vice President | R.O.C. | Wen Wen Tseng | Female | Jan 01, 2020 | 6,111 | 0.0002 | 0 | 0 | 0 | 0 | ■ Vice President of FEIB<br>■ Master of Laws, Soochow University | None | None | None | None | - |
| Deputy Vice President | R.O.C. | Jerry H. Chang | Male | Sep 23, 2019 | 586 | 0.0000 | 63,461 | 0.0019 | 0 | 0 | ■ Branch Manager of FEIB<br>■ BA, Dept. of International Business, St. Louis University, U.S.A. | None | None | None | None | - |
| Deputy Vice President | R.O.C. | Chun Yu Huang | Male | Nov 06, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Branch Manager of FEIB<br>■ Master of Industrial Economy, National Central University | None | None | None | None | - |
| Deputy Vice President | R.O.C. | Yu Mei Lai | Female | Jan 01, 2020 | 69,765 | 0.0021 | 0 | 0 | 0 | 0 | ■ Deputy Vice President of FEIB<br>■ BA, Dept. of Public Administration, National Chung Hsing University | None | None | None | None | - |
| Deputy Vice President | R.O.C. | Chia Hsien Tseng | Male | Jan 01, 2020 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Deputy Vice President of FEIB<br>■ BA, Dept. Of Industrial Management, Kun Shan University | None | None | None | None | - |
| Deputy Vice President | R.O.C. | Chih Fan Lin | Female | Jan 01, 2020 | 35 | 0.0000 | 0 | 0 | 0 | 0 | ■ Deputy Vice President of FEIB<br>■ Master of Finance, Soochow University | None | None | None | None | - |

| Title | Nationality | Name | Gender | Date elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | (%) | Shares | (%) | Shares | (%) | | | Title | Name | Relation | |
| Assistant Vice President | R.O.C. | Chung En Weng | Male | Jan 01, 2020 | 35 | 0.0000 | 0 | 0 | 0 | 0 | ■ Assistant Vice President of FEIB<br>■ Master of Industrial Education, National Taiwan Normal University | None | None | None | None | - |

Note: The chairman and the president or equivalent others (the upper management) are the same person, as spouse or as relative with 1 degree of kinship to each other.

### (3) Information of Exit-Chairman, or Exit-President retired from The Bank Becomes Consultant to the Bank

| Title | Nationality | Name | Sex | Pre-retirement position | | Be consultant date | Hire Purpose | Authority and Responsibility | Remuneration | Ratio of Remuneration as a % of Net Income (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Organization & Position | Retire Date | | | | | |
| None | | | | | | | | | | |

### (4) The reasons, justification, necessity and corresponding actions when the Chairman and the President or equivalent others (the upper manager) are the same person, as spouse, or as a relative with 1 degree of kinship to each other

None.

## (5) Remuneration of Directors, President, and Vice Presidents

### A. Remuneration of General Directors and Independent Directors

Unit: NT$ Thousands

December 31, 2019

| Title | Name | Remuneration | | | | | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) | | Relevant Remuneration Received by Directors Who are Also Employees | | | | | | | | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) | | Compensation Paid to Directors from an invested Company Other than the Company's Subsidiary |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Base Compensation (A) | | Severance Pay (B) | | Directors Compensation (C) | | Allowances (D) | | | | Salary, Bonuses, and Allowances (E) | | Severance Pay (F) | | Employee Compensation (G) | | | | | | |
| | | | | | | | | | | | | | | | | The Bank | | All companies in the consolidated financial statements | | | | |
| | | The Bank | All companies in the consolidated financial statements | The Bank | All companies in the consolidated financial statements | The Bank | All companies in the consolidated financial statements | The Bank | All companies in the consolidated financial statements | The Bank | All companies in the consolidated financial statements | The Bank | All companies in the consolidated financial statements | The Bank | All companies in the consolidated financial statements | cash | stock | cash | stock | The Bank | All companies in the consolidated financial statements | |
| Chairperson | Yue Ding Industry Co., Ltd. Representative: Ching-Ing Hou | 16,428 | 16,428 | - | - | 9,237 | 9,237 | 151 (note：car rental 396; Driver's compensation: 603) | 151 (note：car rental 396; Driver's compensation: 603) | 2.511 | 2.512 | - | - | - | - | - | - | - | - | 2.511 | 2.512 | - |
| Vice Chairman | Douglas Tong Hsu | 13,634 | 13,634 | - | - | 6,928 | 6,928 | 105 | 105 | | | - | - | - | - | - | - | - | - | | | 978 |
| General Directors | (refer as follow) | 2,880 | 2,928 | - | - | 34,639 | 34,639 | 175 | 175 | | | - | - | - | - | - | - | - | - | | | - |
| Independent Directors | (refer as follow) | 3,600 | 3,600 | - | - | 3,400 | 3,400 | 30 | 30 | | | - | - | - | - | - | - | - | - | | | - |

1. Please describe of the policies, standards and structure of remuneration for independent directors and the positively related to the responsibilities, risks, and investment time:
   The compensations for independent directors include compensations, expense for business execution, compensations from distribution of earnings. According to the article 25 of the Articles of Incorporation, if there be net income before income tax, remuneration of directors and employees' compensation, the Bank should retain a remuneration of directors no greater than 1.5%. The procedures for determining remuneration are based on the comparable level as offered by the other companies in the same trade, the performance evaluation results of the board of directors and functional committees, and the remuneration for independent directors and the positively related to the responsibilities, risks, and investment time taken into account the Bank's operating performance and the expected or actual risks that have occurred, and are subject to the "Regulations for Directors' Remuneration Distribution". After the Remuneration Committee is passed, it shall be reported to the board of directors for approval.
2. Relevant Remuneration Received by Directors who are also service all companies in the consolidated financial statements (such as consultants who are not employees): None.

The list of General Directors:
1.Far Eastern New Century Corp. Representatives: Shaw Y. Wang / Executive Director, Humphrey Cheng / Director, James Wu / Director
2.Asia Cement Corp. Representatives: Tsung-Ming Chung / Executive Director, Shi-Chun Hsu / Director
3.U-Ming Marine Transport Corp. Representative: Min-Teh Yu / Director

The list of Independent Directors:
1.Independent Director & managing Director: Hsiao Hui Wang.  Independent Director: Bing Shen / Susan S. Chang

## Remuneration Range of Directors

December 31, 2019

| Range of Remuneration | Name of Directors | | | |
|---|---|---|---|---|
| | Total Remuneration (A+B+C+D) | | Total Remuneration (A+B+C+D+E+F+G) | |
| | The Bank | All companies in the consolidated financial statements | The Bank | All companies in the consolidated financial statements |
| Under NT$1,000,000 | - | - | - | - |
| NT$1,000,000 (inclusive)～NT$2,000,000 (non-inclusive) | - | - | - | - |
| NT$2,000,000 (inclusive)～NT$3,500,000 (non-inclusive) | ■ Independent Directors: Hsiao Hui Wang; Bing Shen; Susan S. Chang | ■ Independent Directors: Hsiao Hui Wang; Bing Shen; Susan S. Chang | ■ Independent Directors: Hsiao Hui Wang; Bing Shen; Susan S. Chang | ■ Independent Directors: Hsiao Hui Wang; Bing Shen; Susan S. Chang |
| NT$3,500,000(inclusive)～NT$5,000,000 (non-inclusive) | ■ General Director: Asia Cement Corp. Representative:Shi-Chun Hsu<br>■ General Director:U-Ming Marine Transport Corp. Representative: Min-Teh Yu | ■ General Director: Asia Cement Corp. Representative:Shi-Chun Hsu<br>■ General Director:U-Ming Marine Transport Corp. Representative: Min-Teh Yu | ■ General Director: Asia Cement Corp. Representative:Shi-Chun Hsu<br>■ General Director:U-Ming Marine Transport Corp. Representative: Min-Teh Yu | ■ General Director: Asia Cement Corp. Representative:Shi-Chun Hsu<br>■ General Director:U-Ming Marine Transport Corp. Representative: Min-Teh Yu |
| NT$5,000,000 (inclusive)～NT$10,000,000 (non-inclusive) | ■ General Directors: Far Eastern New Century Corp. Representatives: Shaw Y. Wang; Humphrey Cheng; James Wu<br>■ General Director: Asia Cement Corp. Representative:Tsung-Ming Chung | ■ General Directors: Far Eastern New Century Corp. Representatives: Shaw Y. Wang; Humphrey Cheng; James Wu<br>■ General Director: Asia Cement Corp. Representative:Tsung-Ming Chung | ■ General Directors: Far Eastern New Century Corp. Representatives: Shaw Y. Wang; Humphrey Cheng; James Wu<br>■ General Director: Asia Cement Corp. Representative:Tsung-Ming Chung | ■ General Directors: Far Eastern New Century Corp. Representatives: Shaw Y. Wang; Humphrey Cheng; James Wu<br>General Director: Asia Cement Corp. Representative:Tsung-Ming Chung |
| NT$10,000,000(inclusive)～NT$15,000,000 (non-inclusive) | - | - | - | - |
| NT$15,000,000 (inclusive) ～NT$30,000,000 (non-inclusive) | ■ General Director: Yu Ding Industrial Co., Ltd. Representative:Ching-Ing Hou<br>■ General Director: Douglas Tong Hsu | ■ General Director: Yu Ding Industrial Co., Ltd. Representative:Ching-Ing Hou<br>■ General Director: Douglas Tong Hsu | ■ General Director: Yu Ding Industrial Co., Ltd. Representative: Ching-Ing Hou<br>■ General Director: Douglas Tong Hsu | ■ General Director: Yu Ding Industrial Co., Ltd. Representative: Ching-Ing Hou<br>■ General Director: Douglas Tong Hsu |
| NT$30,000,000～(inclusive) NT$50,000,000 (non-inclusive) | - | - | - | - |
| NT$50,000,000 (inclusive)～NT$100,000,000 (non-inclusive) | - | - | - | - |
| Over NT$100,000,000 | - | - | - | - |
| Total | 11 | 11 | 11 | 11 |

## B. Remuneration of the President and Vice Presidents

Unit: NT$ Thousands

Dec 31, 2019

| Title | Name | Salary(A) | | Severance or Retirement Payment (B) | | Bonus and Special Allowance (C) | | Dividends (D) | | | | Ratio of Total Compensation (A+B+C+D) to Net Income(%) | | Remuneration from Investee Companies, Excluding Subsidiaries or parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The bank | All companies in the financial statement | The bank | All companies in the financial statement | The bank | All companies in the financial statement | The bank | | All companies in the financial statement | | The bank | All companies in the financial statement | |
| | | | | | | | | Cash dividend | Stock dividend | Cash dividend | Stock dividend | | | |
| President | Thomas Chou | 41,437 | 41,507 | 0 | 0 | 59,837 (Car rental：2,976；Driver compensation：2,564) | 60,118 (Car rental：2,976；Driver compensation：2,564) | 11,254 | 0 | 11,254 | 0 | 3.098 | 3.107 | 786 |
| Chief Executive Vice President | Jiann Jong Lin | | | | | | | | | | | | | |
| Senior Executive Vice President | Ben Liao Ru | | | | | | | | | | | | | |
| Executive Vice President | Alan Lee | | | | | | | | | | | | | |
| Executive Vice President | Simon Tai | | | | | | | | | | | | | |
| Executive Vice President | Sophie Chang | | | | | | | | | | | | | |
| Executive Vice President | Steve Chi | | | | | | | | | | | | | |
| Executive Vice President | Lonnie Liu | | | | | | | | | | | | | |
| Executive Vice President | James Dai | | | | | | | | | | | | | |
| Executive Vice President | Shin hwa Chou ( Took up office in Aug 12, 2019) | | | | | | | | | | | | | |
| Executive Vice President | May Ling Liu (Resigned in Sep 01, 2019) | | | | | | | | | | | | | |
| Chief Auditor | Chih Wei Huang | | | | | | | | | | | | | |
| Chief Compliance Officer of the Head Office | Elaine Yeh ( Took up office in Apr 11, 2019) | | | | | | | | | | | | | |
| Chief Compliance Officer of the Head Office | Josephine Chen (Resigned in Jan 12, 2019) | | | | | | | | | | | | | |

## Remuneration Range of President and Vice President

Dec 31, 2019

| Range of Remuneration | Names of President and Vice President | |
|---|---|---|
| | The bank | All companies in the consolidated financial statement |
| Below NT$1,000,000 | Josephine Chen | Josephine Chen |
| NT$1,000,000(inclusive)~2,000,000(exclusive) | - | - |
| NT$2,000,000(inclusive)~3,500,000(exclusive) | Shin Hwa Chou / Elaine Yeh | Shin Hwa Chou / Elaine Yeh |
| NT$3,500,000(inclusive)~5,000,000(exclusive) | Chih Wei Huang | Chih Wei Huang |
| NT$5,000,000(inclusive)~10,000,000(exclusive) | Ben Liao Ru / Alan Lee / Sophie Chang / Lonnie Liu / James Dai / Simon Tai / May Ling Liu | Ben Liao Ru / Alan Lee / Sophie Chang / Lonnie Liu / James Dai / Simon Tai / May Ling Liu |
| NT$10,000,000(inclusive)~15,000,000(exclusive) | Jiann Jong Lin / Steve Chi | Jiann Jong Lin / Steve Chi |
| NT$15,000,000(inclusive)~30,000,000(exclusive) | Thomas Chou | Thomas Chou |
| NT$30,000,000(inclusive)~50,000,000(exclusive) | - | - |
| NT$50,000,000(inclusive)~100,000,000(exclusive) | - | - |
| Over NT$100,000,000 | - | - |
| Total | 14 | 14 |

C. Remuneration of Managers

Apr 13, 2020

| | Tile | Name | Employee Compensation - in Stock (Fair Market Value) | Employee Compensation - in Cash | Total | Ratio of Total Amount to Net Income (%) |
|---|---|---|---|---|---|---|
| Managers | Please refer Page 24-37 | | 0 | 30,400,681 | 30,400,681 | 0.84 |

## (6) Comparison of Remuneration for Directors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, President and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, president and executive vice presidents of the Company, to the net income.

Unit: %

| Title | 2018 | | 2019 | |
|---|---|---|---|---|
| | The Bank | All companies in the consolidated financial statements | The Bank | All companies in the consolidated financial statements |
| Directors | 2.361 | 2.363 | 2.511 | 2.512 |
| President, Executive Vice Presidents | 2.412 | 2.420 | 3.098 | 3.107 |
| Total | 4.773 | 4.783 | 5.609 | 5.619 |

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

(a) The compensations for directors include compensations, expense for business execution and compensations from distribution of earnings. If there be net income before income tax, remuneration of directors and employees' compensation, the Bank should retain a remuneration of directors no greater than 1.5%. The procedures for determining remuneration are based on the comparable level as offered by the other companies in the same trade, the performance evaluation results of the board of directors and functional committees (e.g., participation in the operation of the Bank, contribution, communication with management team), and taken into account the Bank's operating performance and the expected or actual risks that have occurred, and are subject to the "Regulations for Directors' Remuneration Distribution". After the Remuneration Committee is passed, it shall be reported to the board of directors for approval.

(b) In accordance with Article 25 of Articles of Incorporation "If there be net income before income tax, remuneration of directors and employees' compensation, the Bank should retain an employees' compensation of 3.5%-4.5% and a remuneration of directors no greater than 1.5%. Should there be accumulated loss; the Bank shall

retain earnings to cover the loss in advance."

Based on the reasonable correlation between individual performance, business performance, and future risks, the policies, standards, and portfolios of remuneration for managerial officers (president and vice presidents included) are established and reviewed regularly during the Remuneration Committee. The board of directors will determine the result after taking into account the Remuneration Committee's suggestions to ensure it's reasonable to risk management and general pay levels in the industry.

The merit pay will be evaluated by financial factors (such as revenue, net profit before tax and so on) and non-financial factors (compliance, risk management and so on).

## 3. Implementation of Corporate Governance

### (1) Information on the Operation of the Board of Directors

The 10th Board of Directors convened 4 meetings in 2019, and the records of attendance by directors and independent directors are shown as follows:

| Title | Name | Attendance in Person | Attendance by Proxy | Actual Attendance Rate (%) | Remarks |
|---|---|---|---|---|---|
| Chairperson | Yue Ding Industry Co., Ltd. Representative: Ching-Ing Hou | 4 | 0 | 100% | - |
| Vice Chairman | Douglas Tong Hsu | 4 | 0 | 100% | - |
| Executive Director | Far Eastern New Century Corp. Representative: Shaw Y. Wang | 4 | 0 | 100% | - |
| Executive Director | Asia Cement Corp. Representative: Tsung-Ming Chung | 4 | 0 | 100% | - |
| Director | Far Eastern New Century Corp. Representative: Humphrey Cheng | 4 | 0 | 100% | - |
| Director | Far Eastern New Century Corp. Representative: James Wu | 4 | 0 | 100% | - |
| Director | Asia Cement Corp. Representative: Shi-Chun Hsu | 3 | 0 | 75% | - |
| Director | U-Ming Marine Transport Corp. Representative: Min-Teh Yu | 4 | 0 | 100% | - |
| Independent Director, Managing Director | Hsiao Hui Wang | 4 | 0 | 100% | - |
| Independent Director | Bing Shen | 3 | 1 | 75% | - |
| Independent Director | Susan S. Chang | 4 | 0 | 100% | - |

Other items of mandatory registration:

1. In the event of any of the circumstances occurring while the Board of Directors conducts its activities, details including the date, session, and agenda of the board meeting, all opinions of the independent directors, and the Company's

responses to the independent directors' opinions should be provided.

(1) Matters listed in Article 14-3 of the Securities and Exchange Act: Not applicable as the Bank has established an audit committee.

(2) In addition to matters above, other objections or qualified opinions from the independent directors to resolutions made by the Board of Directors on-record or in writing: None.

2. Details, including names of directors, resolutions, reasons for conflict of interest, and voting results, of circumstances where directors absented themselves due to conflict of interest:

The proposals in conflict of interest in 2019 are credit proposals, purchase proposals, lease renewal proposal of branch, cooperation proposal of credit card and happygo points, 2019 employees' health examination, proposal of financial institution transaction amount. When the proposals are in progress, the names of directors, resolutions, reasons for conflict of interest are stated, Chairperson Ching-Ing Hou, Vice Chairman Douglas Tong Hsu, Executive Director Shaw Y. Wang, Executive Director Tsung-Ming Chung, Director Humphrey Cheng, Director James Wu, Director Shi-Chun Hsu, Director Min-Teh Yu, Independent Director Hsiao Hui Wang, Independent Director Bing Shen, Independent Director Susan S. Chang were excused from discussion of the aforementioned proposals to avoid conflict of interest, and other directors in the meeting passed the proposals as stated.

3. The Bank shall disclose evaluation cycle, period, scope, method, and content of performance evaluation of board of directors meeting and functional committees:

Performance Evaluation of Board of Directors Meeting and Functional Committees:

| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Method | Evaluation Content |
|---|---|---|---|---|
| Once a year | 2019 | 1.Board of directors meeting<br>2.functional committees | 1.Overall evaluation<br>2.self-evaluation by individual members | Board of directors meeting:<br>1.Overall evaluation: including 5 aspects, participation in the operation of the Bank, improvement of board decision making, composition and structure of the board, continuing education of directors, internal control.<br>2.Self-evaluation by individual members: including 6 aspects, familiarity with the goals and missions of the company, awareness of the duties of a director, participation in the operation of the Bank, management of internal relationship and communication, professional development and training, internal control.<br>Functional committees (overall evaluation and self-evaluation by individual members:<br>Including 5 aspects, participation in the operation of the Bank, awareness of the duties of functional committees, improvement of functional committees decision making, composition and structure of functional committees, internal control. |

4. Targets for strengthening the function of the board of directors in current year and the recent years and the evaluation of the execution:

(1) For strengthening the function of the board of directors, Rules of Procedure for Board of Directors Meetings of Far Eastern International Bank was established on February 23, 2005, and the tenth amendment was made on May 6,2019.

(2) In order to prevent insider trading and ensure sound operation, Regulations Preventing Insider Trading of Far Eastern International Bank and Re-investment Business was established on December 31, 2009, and the second amendment was made on February 14, 2017.

(3) In order to establish sound corporate governance, independent director and executive director systems, Rules Governing the Scope of Powers of Independent Directors of Far Eastern International Bank and Rules Governing the Scope of Powers of Executive Directors of Far Eastern International Bank were established on May 27, 2010, and the first amendment of Rules Governing the Scope of Powers of Independent Directors was made on November 3, 2017.

(4) In accordance with Paragraph I of Article 14-6 of Securities and Exchange Act, Organizational Rules for the Remuneration Committee of Far Eastern International Bank and the remuneration committee were established on August 5, 2011, and the first amendment was made on May 7, 2015.

(5) In accordance with Paragraph I of Article 14-4 of Securities and Exchange Act, Organizational Rules for the Audit Committee of Far Eastern International Bank was established on May 5, 2015, the audit committee was established on June 16, 2015, and the first amendment was made on November 3, 2017.

(6) In order to strengthen corporate governance system, Corporate Governance Principles of Far Eastern International Bank was established on November 6, 2015, and the third amendment was made on May 6,2019.

(7) In order to strengthen corporate governance effectiveness, Procedures for Performance Evaluation of the Board of Directors of Far Eastern International Bank was established on August 12, 2016, and evaluated the operation in accordance with the procedures since 2016, the relevant information is disclosed on the Bank's website. The second amendment was made on August 2, 2019, renamed Procedures for Performance Evaluation of the Board of Directors and Functional Committees of Far Eastern International Bank to increase the evaluation of functional committees.

## (2) Information on the Operation of Audit Committee

A. In accordance with Article 14-4 of Securities and Exchange Act, the audit committee is composed of the entire number of independent directors.

B. In accordance with Article 6 of Organizational Rules for the Audit Committee of Far Eastern International Bank, the authorities and responsibilities of the audit committee are to review and checking the following:

(a) The company's internal control policies pursuant to Article 14-1 of the Securities and Exchange Act.

(b) The effectiveness of internal control policies.

(c) Pursuant to Article 36-1 of the Securities and Exchange Act, procedures relating to asset acquisition/disposal, derivative transactions, and major financial conducts.

(d) Matters concerning the personal interests of directors.

(e) Major asset transactions or derivatives.

(f) Offering, issuance, or private placement of securities with equity characteristics.

(g) Appointment, dismissal, or compensation of the certifying CPAs.

(h) Appointment and removal of the financial, accounting, or internal auditing officers.

(i) Annual and semi-annual financial reports.

(j) Other significant issues regulated by the Company or competent authorities.

C. The 2nd Audit Committee convened 4 meetings in 2019, and the records of attendance by independent directors are shown as follows:

| Title | Name | Attendance in Person | Attendance by Proxy | Actual Attendance Rate (%) | Remarks |
|---|---|---|---|---|---|
| Independent Director, Managing Director | Hsiao Hui Wang | 4 | 0 | 100% | - |
| Independent Director | Bing Shen | 4 | 0 | 100% | - |
| Independent Director | Susan S. Chang | 4 | 0 | 100% | - |

Other items of mandatory registration:

1. In the event of any of the following circumstances occurred while the Audit Committee conducts its activities, details including the date, session, and agenda of the board meeting, all resolutions of the Audit Committee, and the Company's responses to the Audit Committee's opinions should be provided.
   (1) Matters listed in Article 14-5 of the Securities and Exchange Act
   (2) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None.

| Audit Committee | Agenda and Follow-up | Items in Article 14-1 of the Securities and Exchange Act | Not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors |
|---|---|---|---|
| 3rd Session of 2nd Audit Committee March 7, 2019 | ■ Audit business work report<br>■ 2018 H2 Status of the legal compliance system and the business entrusted others to handle<br>■ 2018 H2 Status of the Anti-Money Laundering and Countering Financing of Terrorism<br>■ Proposal of reselling Bad Debt<br>■ 2018 Financial Statements and Consolidated Financial Statements.<br>■ 2018 Earnings Distribution<br>■ 2018 Proposal of New Shares Issuing – to Capitalize Shareholder Dividend<br>■ Proposal of Private Placement – to Issue Common Shares, Preferred Shares, Convertible Bonds or A Combination of Above Securities, maximum 10 billion NT dollars or foreign currency equivalent in total<br>■ Change of the certifying CPAs and evaluation of the certifying CPAs's Independence<br>■ Amendent to 2019 Internal Audit Plan<br>■ Amendent to "Implementation Rules of Internal Audit and Internal Control System of Insurance Agency Group" | ✓ | None |

| Audit Committee | Agenda and Follow-up | Items in Article 14-1 of the Securities and Exchange Act | Not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors |
|---|---|---|---|
| | ■ 2018 Statement of Internal Control System<br>■ 2018 Business Report<br>■ Amendent to "Regulations Governing the Acquisition and Disposal of Assets"<br>■ Amendent to "Rules of Procedure for Board of Directors Meetings"<br>■ Amendent to "Regulations of Internal Control and Audit System and Business Solicitation System of Insurance Agency Group"<br>■ 2019 employees' health examination<br>■ Apply for adding business item of concurrently operating securities dealer<br>■ 2018 Statement of the Anti-Money Laundering and Countering Financing of Terrorism Regulations<br>■ 2018 Statement and investigation of the Anti-Money Laundering and Countering Financing of Terrorism mechanism targeted examination<br>■ 2018 "Report of comprehensive Anti-Money Laundering and Countering Financing of Terrorism risk evaluation", "the Anti-Money Laundering and Countering Financing of Terrorism plan" and "Report of Anti-Money Laundering and Countering Financing of Terrorism risk evaluation" of insurance agent business<br>■ 2018 Statement of designing and executing of the Personal Information Protection Internal Control System<br>■ 2018 Statement of personal information protection the design and operation of internal control systems<br>■ 2018 Statement of Overall Information Security Implementation<br>■ Credit Proposal | | |
| | Result：The proposal was passed by a unanimous vote and no objection. | | |
| | Dealing with result of Audit Committee：None. | | |
| 4th Session of 2nd Audit Committee May 6, 2019 | ■ 2019 Consolidated Financial Statements for the three months Ended March 31<br>■ Audit business work report<br>■ Proposal of reselling Bad Debt<br>■ Amendent to 2019 Internal Audit Plan | ✓ | None |

| Audit Committee | Agenda and Follow-up | Items in Article 14-1 of the Securities and Exchange Act | Not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors |
|---|---|---|---|
| | ■ Amendent to "Corporate Governance Principles", "Rules of Procedure for Board of Directors Meetings" and Change of Company Secretary<br>■ Amendent to "Regulations Governing of Collateral"<br>■ 2019 cooperation proposal of credit card and happygo points<br>■ Credit Proposal<br>Result：The proposal was passed by a unanimous vote and no objection.<br>Dealing with result of Audit Committee：None. | | |
| 5th Session of 2nd Audit Committee August 12, 2019 | ■ Audit business work report<br>■ 2019 H1 Status of the legal compliance system and business entrusting others to handle<br>■ 2019 H1 Status of the Anti-Money Laundering and Countering Financing of Terrorism<br>■ Proposal of reselling Bad Debt<br>■ 2019 H1 Financial Statements and Consolidated Financial Statements<br>■ Lease renewal proposal of branch<br>■ Proposal of Taipei Zhongshan Branch Building's disposal<br>■ Amendment to "Procedures for Performance Evaluation of the Board of Directors"<br>■ Amendment to "Regulations of dealing with illegal, immoral and dishonest behavior report"<br>■ Amendment to "Standard Specification of Internal Control System for Concurrently Operating Securities Bonds Dealer"<br>■ Amendent to "Regulations of Internal Control and Audit System and Business Solicitation System of Insurance Agency Group"<br>■ Credit Proposal | ✓ | None |
| | Result：The proposal was passed by a unanimous vote and no objection. | | |
| | Dealing with result of Audit Committee：None. | | |
| 6th Session of 2nd Audit Committee November 6, 2019 | ■ 2019 Consolidated Financial Statements for the nine months Ended September 30<br>■ Audit business work report<br>■ Proposal of reselling Bad Debt<br>■ Change of the certifying CPAs and evaluation of the certifying CPAs's Independence<br>■ 2020 Internal Audit Plan<br>■ Amendment to "Regulations of Internal Audit" | ✓ | None |

| Audit Committee | Agenda and Follow-up | Items in Article 14-1 of the Securities and Exchange Act | Not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors |
|---|---|---|---|
| | and "Precautions of Internal Audit"<br>■ Amendment to "Internal Control and Solicit Procedure of Insurance Agency Group"<br>■ Amendment to "Regulations of Credit Business Authority"<br>■ Proposal of Financial institution transaction limit<br>■ Credit Proposal<br>Result：<br>1.Amendment to "Regulations of Internal Audit" and "Precautions of Internal Audit"：If "Precautions of Internal Audit" are amended to comply with regulations of FSC, Chief Auditor will be authorized to make a decision, while other amendments shall follow the original authorization levels. Other items of the proposal were passed by a unanimous vote and no objection.<br>2.Other Issues：The proposal was passed by a unanimous vote and no objection.<br>Dealing with result of Audit Committee：The proposal was according to a unanimous vote and submitted to the board of directors. | | |

2. Details, including names of independent directors, resolutions, reasons for conflict of interest, and voting results, of circumstances where independent directors absented themselves due to conflict of interest:

   The proposals in conflict of interest in 2019 were credit proposals and proposal of transactions with financial institution. When the proposals were in progress, the names of independent directors, resolutions, reasons for conflict of interest were stated, Independent Director Bing Shen was excused from discussion of the aforementioned proposals to avoid conflict of interest, and other independent directors in the meeting passed the proposals as stated.

3. Communications among Independent Directors and the Bank's Chief Auditor and CPA

   (1) Communication of Independent Directors with the Chief Auditor and CPA:

   - The CPA fully communicated with the Independent Directors on the first half financial statement, annual financial statement, and annual audit planning.
   - Internal auditors engaged independent directors in yearly meetings to present internal audit reports and to discuss fully any major issues, which were summarized in the meeting minutes to the Board of Directors for report.
   - The Audit Committee was composed of all members of independent directors, to which the chief auditor reported on a quarterly basis on the progress of ongoing audits.

(2) Communication outlines of Independent Directors with the chief auditor and CPA:

■ Communication status of Independent Directors with CPA

| Date | Points of communication | Result |
|---|---|---|
| 3rd meeting of 2nd Audit Committee meeting March 7, 2019 | Reported the results of auditing 2018 financial statements, and responded the questions from Independent Directors. | Noted |
| 5th meeting of 2nd Audit Committee meeting August 12, 2019 | Reported the results of auditing the second quarter of 2019 financial statements, and responded the questions from Independent Directors. | Noted |
| Conference between Board of Directors and CPAs on November 6, 2019 | 1. Significant audit risk for auditing 2019 financial statements.<br>2. Key audit matters for auditing 2019 financial statements.<br>3. Audit planning for auditing 2019 financial statements. | Noted |

■ Communication between Independent Directors and the Chef Auditor:

| Date | Highlights of Communication | Result |
|---|---|---|
| March 7, 2019<br>3th meeting of 2nd Audit Committee meeting<br>March 26, 2019<br>4th meeting of 10th Board of Directors | Audit report for the fourth quarter of 2018 | Noted |
| May 6, 2019<br>4th meeting of 2nd Audit Committee meeting<br>May 6, 2019<br>5th meeting of 10th Board of Directors | Audit report for the first quarter of 2019 | Noted |
| August 12, 2019<br>5th meeting of 2nd Audit Committee meeting<br>August 12, 2019<br>6th meeting of 10th Board of Directors | Audit report for the second quarter of 2019 | Noted |
| November 6, 2019<br>6th meeting of 2nd Audit Committee meeting<br>November 6, 2019<br>7th meeting of 10th Board of Directors | 1. Audit report for the third quarter of 2019<br>2. 2020 Audit Plan | Noted |
| November 6, 2019<br>Talks between the Independent Directors and the Chief Auditor | 1. Correction of 2019 audit comment by FSC<br>2. 2019 major audit comment<br>3. 2019 major penalty cases fined by FSC<br>4. Current audit issues | Noted |

(3) Items to be disclosed according to the Corporate Governance Best-Practice Principles for the Banking Industry

Please refer to the Bank's website: https://www.feib.com.tw/ and http://mops.twse.com.tw/

## (4) FEIB Corporate Governance Implementation Status and Deviations

| Evaluation Item | Implementation Status | | | Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| 1. Shareholding structure and shareholders' interest | | | | |
| (1) Does the Bank establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? | ✓ | | ■ The Bank has enacted "Corporate Governance Principle" which included a chapter of "Protecting Shareholders' Rights". Accordingly, the Bank has spokesperson, acting spokesperson, and stock agency "Oriented Securities Co., Ltd" to handle related issues and suggestions of shareholder. If any legal issue is involved, it will pass to the Legal Compliance Department. | None |
| (2) Does the Bank possess the list of its major shareholders as well as the ultimate owners of those shares? | ✓ | | ■ The Bank has a clear list of the major shareholders and their ultimate control entities, and declares the transaction information in accordance with relevant laws and regulations. | None |
| (3) Does the Bank establish and execute risk management and firewall mechanisms within affiliated businesses? | ✓ | | ■ Risk control of the bank and its related companies complied with Banking Act, and monitored by the system set by risk management department. According to Banking Act, lending to stakeholder or the same concerned party should have full guarantee, credit limit, conditions, credit approval procedures and norm.<br>■ The Bank formulated "FEIB's procedures for handling credit and other transactions with stakeholder". "Acquisition and Disposal Asset Handling Guidelines" is in accordance when dealing with related companies. Risk cost management and firewall has been properly established between FEIB and related companies.<br>■ The Bank made "FEIB's Regulations for Risk management measures of subsidiaries" to comply with the statutes and set up the subsidiaries' sound operation and risk governance. | None |
| 2. Composition and Responsibilities of the Board of Directors | | | | |
| (1) Does the Bank voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? | ✓ | | ■ The Bank has Personnel Evaluation Committee, Remuneration Committee and Audit Committee.<br>■ Audit committee is established on June 16,2015. "Organization Rules for the Audit Committee" was formulated which is based on Article 14(4) of the Securities Exchange Act and Article 3 | None |

| Evaluation Item | Implementation Status | | | Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | of the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies". Audit committee meetings were held four times in the 2019. | |
| (2) Does the Bank establish procedures for performance evaluation of the board of directors and the evaluation method, evaluate the operation yearly, report the evaluation result to the Board, and taken into account the result to determine remuneration and nominate candidates? | ✓ | | ■ In order to strengthen corporate governance effectiveness, Procedures for Performance Evaluation of the Board of Directors was established on August 12, 2016, and amendment was made on August 12, 2019, renamed Procedures for Performance Evaluation of the Board of Directors and Functional Committees. Evaluated the operation in accordance with the procedures yearly, and newly evaluation results were reported to the Board. The relevant information is disclosed on the Bank's website, and taken into account the result to determine remuneration and nominate candidates. | None |
| (3) Does the Bank evaluate the independence of its CPA on a regular basis? | ✓ | | ■ The Bank regularly evaluated the independence of certified public accountants every year which based on the No.10 Bulletin of Code of Professional Ethics for Certified Public Accountant of the Republic of China and Article 27, Item 5 of the Guidelines for the Bank's Corporate Governance.<br>■ This year assessments are as follows:<br>1. Till last audit, the Bank did not fail to replace the CPA every 7 years.<br>2. Till last audit, CPA received no punishment of violations.<br>3. Members of the audit team and their spouses and dependents are not involved in the following:<br>(1) Directly or indirectly hold significant financial interests in the Bank.<br>(2) Have business relations with the Bank or directors and managerial officers at the Bank, where such relations may affect their independence<br>4. During the audit, members of the audit team, their spouses and dependents do not serve as directors or managerial officers at the Bank or do not assume | None |

| Evaluation Item | Implementation Status | | | Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | positions that may directly and significantly affect the auditing process.<br>5. Members of the audit team do not have spouses, immediate family members or relatives within the second degree of kinship who serve as directors or managerial officers at the Bank.<br>6. Members of the audit team have not received gifts or presents of significant value (where their values have not exceeded the general etiquette standards) from our Bank or directors, managerial officers or major shareholders at the Bank.<br>■ The Statement of Independence has been issued by the CPA, and the result has been approved by the 7th Board of Directors of the 10th term. After evaluation, the CPA are in accordance with the independence standards of the Bank. | |
| (4) Does the Board of Directors have diversifying policy, which is exactly executed? | ✓ | | ■ The Bank has enacted "Corporate Governance Principle" and has a policy of diversifying board members in Chapter 4 "Enhancing the Functions of the Board of Directors". Among the 10th directors, the proportion of independent directors is 27%, the proportion of female directors is 27%. The term of independent directors less than 3 years is 1 person, the term of independent directors in 4-6 years is 1 person, and the term of independent directors over 6 years is 1 person. 5 directors are over 70 years old, 5 directors are 60 to 70 years old, and 1 director is under 60 years old. The directors have different professional background and professional qualifications. The Bank focused on the gender equality of the composition of the board of directors. The current female directors increased by one seat from the previous session, achieving the goal of exceeding 25% of the board of directors for each gender. The professional knowledge, skills and capabilities of each director are referred to table one. | None |

| Evaluation Item | Implementation Status | | | Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| 3. Does the bank have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs (including but not limited furnishing information required for business execution by directors and supervisors, assisting directors with legal compliance, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration and producing minutes of board meetings and shareholders meetings)? | ✓ | | ■ The board passed the resolution on May 6, 2018 to assign Shu Hui Lee, the head of General Administration Department, as the head of corporate governance to be in charge of corporate governance affairs. The corporate governance affairs including handling matters related to board meetings and shareholder's meetings according to laws, producing minutes of board meetings and shareholder's meetings, assisting in onboarding and continuous development of directors, furnishing information required for business execution by directors, assisting directors with legal compliance, and other matters set out in the articles or corporation or contracts.<br>■ The status of Corporate Governance implementation is as follows:<br>1. Shareholders' meeting:<br>- Registering the date of shareholder meeting under regulation<br>- Uploading the notice and handbook of the meeting on 30 days before the meeting.<br>- Uploading the minutes to the MOPS within 20 days after the meeting<br>2. Board Meeting, Managing Director Meeting, and Audit Committee Meeting:<br>- Providing the needed information to directors, managing directors and audit committees.<br>- Providing notices and agendas of the meeting on 7 days before the meeting<br>- Providing the minute within 20 days after the meeting.<br>- Consolidating the resolutions and speeches of the meeting<br>- Tracking the follow-up implementation status and report to the chairman's office.<br>3. Providing the information of training courses.<br>4. Providing the official documents and regulations of competent authority, related to directors or corporate governance. Disseminating the regulation of interested party in Article 32, 33 of the Banking Act semiannually. | None |

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>5. Handling company's change registration when amendment of article of incorporation or transferring capital to issue new shares.<br>6. Evaluating the operation in accordance with "Procedures for Performance Evaluation of the Board of Directors and Functional Committees" of the Bank, and relevant information is also disclosed on the Bank's website.<br>■ Training of the head of corporate governance:
<table>
<tr><th colspan="2">Training Date</th><th rowspan="2">Organizer</th><th rowspan="2">Courses</th><th rowspan="2">Hours</th><th rowspan="2">Total Hours</th></tr>
<tr><th>Start</th><th>End</th></tr>
<tr><td>Jul 23, 2019</td><td>Jul 23, 2019</td><td>Taiwan Academy of Banking and Finance</td><td>Board Operations and Corporate Governance</td><td>3</td><td rowspan="3">18</td></tr>
<tr><td>Oct 25, 2019</td><td>Oct 25, 2019</td><td>Securities and Futures Institute</td><td>108 Annual Conference on Prevention of Insider Trading</td><td>3</td></tr>
<tr><td>Mar 24, 2020</td><td>Mar 25, 2020</td><td>Securities and Futures Institute</td><td>Directors and Supervisors (including Independent) and Corporate Governance Supervisor Practice - Taipei Class</td><td>12</td></tr>
</table></td><td></td></tr>
<tr><td>4. Does the Bank establish communication channels for stakeholders (including but not limited to shareholders, employees, and customers), and establish webpage on the Bank's website to response to stakeholders about CSR issues?</td><td>✓</td><td></td><td>■ The Bank has set up the "Stakeholder Zone" on the company's website, which is divided different channels for investors, customers, suppliers, employees and community members/non-profit organizations. Contact person and methods are also available on the website if needed.</td><td>None</td></tr>
<tr><td>5. Information Disclosure<br>(1) Does the Bank have a corporate website to disclose both financial standings and the status of corporate governance?</td><td>✓</td><td></td><td>■ The bank disclosed the relevant information on the website.</td><td>None</td></tr>
<tr><td>(2) Does the Bank have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a</td><td>✓</td><td></td><td>■ The bank set up English website. Designated employee is responsible to collect and disclosure company information. The information and video record of investor conferences are posted on the website.</td><td>None</td></tr>
</table>

| Evaluation Item | Implementation Status | | | Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| spokesman system, webcasting investor conferences)?<br>(3) Does the bank announce and declare the annual financial report within the time limit in accordance with Banking Law and Securities Exchange Law, and announce the first, second, and third quarter financial reports and the monthly operating situation before the prescribed time limit? | ✓ | | ■ The Bank followed relevant laws and regulations to announce and report the annual financial statements, the first, second, and third quarter financial statements as well as the operating status of each month within the prescribed deadline | None |
| 6. Is there other important information to facilitate a better understanding of the Bank's corporate governance practices (including but not limited to employee rights and interests, employee care, investor relations, rights and interests of interested parties, records of training for directors and supervisors, implementation of risk management policy and risk evaluation criteria, implementation of customer relations policy, purchases of professional indemnity insurance for directors and supervisors, and donations to political parties, stakeholders, and charitable groups)? | ✓ | | ■ CSR：<br>Referred to page 121-123<br>■ Investor Relations:<br>The bank not only has specialist employee to responsible for investor's suggestion, doubts or disputes, but also has spokesperson, acting spokesperson, and stock agency "Oriented Security Co., Ltd" to handle related issues and suggestions of shareholders. Investor conference is held annually.<br>■ Stakeholder rights:<br>The Bank discloses financial, business-related corporate governance information on the website for stakeholders. Both Chinese and English information are available on MOPS for foreign investors.<br>■ Directors' training:<br>Irregularly attended training courses based on "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" issued by the Taiwan Stock Exchange Co., Ltd.<br>■ The Bank also has a special person to handle the customer complaint line to protect consumers or customers; the spokesperson regularly and irregularly holds briefings for legal persons and media<br>■ Liability insurance purchased for directors:<br>The Bank insures liability insurance for all directors to reduce the legal risks and financial risks of the directors and | None |

| Evaluation Item | Implementation Status | | | Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | to protect against possible damages caused by the execution of duties.<br>■ Donations to political parties, stakeholder and charities:<br>- Donated NT$1,684,319 to Eden Social Welfare Foundation (rebate of Eden Love Credit Card)<br>- Sponsoring NT$69,420 to the "Green Belt and Sidewalk" project of Dunhua South Road in front of THE MALL. The relevant information has been disclosed on the Bank's website.<br>■ Employee rights and employee wellness: Please refer to the "Employee Behavior and Ethics Standards" section on page 119-121, and "Labor Relations" section on page 124-127 of this annual report.<br>■ Risk management policy and risk measurement standard:<br>In addition to the strict control of the risk management department, the credit granting cases are handled in accordance with the law, and the risk management policy is detailed in the risk management disclosure on page 147-148. | |

7. Please describe the status of improvement already made based on the results of the Corporate Governance Evaluation System released by the Taiwan Stock Exchange Corporate Governance Center in the most recent year; as well as priority matters and measures in areas where improvement has yet to be made:

Improvement of Corporate Governance Assessment in 2019

1. The bank has established Audit Committee on June 16, 2015. According to the assessment requirement, and operation status and key emphasis in work are disclosed in detail in 2018 annual report and the bank's website.
2. The bank has established Remuneration Committee. According to the assessment requirement, the discussion and resolutions in the committee meeting, and comment from the bank are disclosed in 2018 annual report and the bank's website.

Priority matters and measures:

1. According to the assessment requirement, the 2019 annual report will be uploaded to MOPS 16 days before shareholder meeting.
2. The bank has established Remuneration Committee on August 5, 2011. According to the assessment requirement, Remuneration Committee will be held at least 2 times a year, and all members will attend the meeting in person at least 2 times a year.
3. The bank is planning to establish other non-mandatory functional committees; the members are not fewer than three persons in number, majority by independent directors, and at least one of whom shall have expertise in what the functional committees need.

Table 1: Board Members' Diversification

| Name | Gender | Professional knowledge and skills | | | Ability | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Professional background | Professional qualifications | Financial industry experience | Operational judgement | analysis of Accounting and financial | Operational management | Risk Management | crisis management | Industrial know-how | International prospective | Leadership & decision-making |
| Ching-Ing Hou | Female | Finance | Bank / Finance Professor | v | v | v | v | v | v | v | v | v |
| Douglas Tong Hsu | Male | Operating | | v | v | v | v | v | v | v | v | v |
| Shaw Y. Wang | Male | Operating | | v | v | v | v | v | v | v | v | v |
| Tsung-Ming Chung | Male | Technology | Accountant | v | v | v | v | v | v | v | v | v |
| Humphrey Cheng | Male | Operating | Law | v | v | v | v | v | v | v | v | v |
| James Wu | Male | Finance | Law | v | v | v | v | v | v | v | v | v |
| Shi-Chun Hsu | Male | management | Business management professor | v | v | v | v | v | v | v | v | v |
| Min-Teh Yu | Male | Finance | Financial professor | v | v | v | v | v | v | v | v | v |
| Hsiao Hui Wang | Female | accounting | Accountant | | v | v | v | v | v | v | v | v |
| Bing Shen | Male | Finance | | v | v | v | v | v | v | v | v | v |
| Susan S. Chang | Female | Finance | | v | v | v | v | v | v | v | v | v |

Table 2: Directors' and Independent Directors' Training Status

| Title | Name | Date elected | Training Date | | Organizer | Courses | Hours |
|---|---|---|---|---|---|---|---|
| | | | Start | End | | | |
| Chairperson | Ching-Ing Hou | Jun 20,2018 | Nov 14,2019 | Nov 14,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| | | | Jul 23,2019 | Jul 23,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| Vice Chairman | Douglas Tong Hsu | Jun 20,2018 | Nov 14,2019 | Nov 14,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| | | | Jul 23,2019 | Jul 23,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |

| Title | Name | Date elected | Training Date | | Organizer | Courses | Hours |
|---|---|---|---|---|---|---|---|
| | | | Start | End | | | |
| Executive Director | Shaw Y. Wang | Jun 20,2018 | Nov 14,2019 | Nov 14,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| | | | Jul 23,2019 | Jul 23,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| Executive Director | Tsung-Ming Chung | Jun 20,2018 | Nov 14,2019 | Nov 14,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| | | | Jul 23,2019 | Jul 23,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| Director | Humphrey Cheng | Jun 20,2018 | Nov 14,2019 | Nov 14,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| | | | Jul 23,2019 | Jul 23,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| Director | James Wu | Jun 20,2018 | May 07,2019 | May 07,2019 | Taiwan Stock Exchange Corporation | Climate Leadership – How to implement the recommendations of the TCFD | 3 |
| | | | Mar 28,2019 | Mar 28,2019 | Taiwan Corporate Governance Association | Development Trend of Global Anti-tax Avoidance | 3 |
| Director | Shi-Chun Hsu | Jun 20,2018 | Jul 23,2019 | Jul 23,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| | | | Jun 26,2019 | Jun 26,2019 | Taiwan Institute of Directors | 2019 Annual Forum of TWIOD- A+ Corporate x Shareholder Value | 4 |
| | | | Apr 01,2019 | Apr 01,2019 | Taiwan Corporate Governance Association | Market Strategy Sharing of Malaysia- Tax Structure Planning of Retail Trade and Global Layout- Malaysia | 3 |
| Director | Min-Teh Yu | Jun 20,2018 | Nov 21,2019 | Nov 21,2019 | Taiwan Corporate Governance Association | Corporate Governance and Securities Regulations | 3 |
| | | | Nov 21,2019 | Nov 21,2019 | Taiwan Corporate Governance Association | Awareness of the Duties of Tax Laws and Legal Liability of a Director | 3 |
| | | | Jul 23,2019 | Jul 23,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |

| Title | Name | Date elected | Training Date | | Organizer | Courses | Hours |
|---|---|---|---|---|---|---|---|
| | | | Start | End | | | |
| Independent Director, Managing Director | Hsiao Hui Wang | Jun 20,2018 | Nov 29,2019 | Nov 29,2019 | Taiwan Corporate Governance Association | Strategic Thinking of Board Decision Making | 3 |
| | | | Nov 14,2019 | Nov 14,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| | | | Jul 23,2019 | Jul 23,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| | | | Jun 20,2019 | Jun 20,2019 | Taiwan Corporate Governance Association | How to Act as an Effective Director- Simulation Exercise of Major Resolutions of Board Meetings | 3 |
| | | | Jun 06,2019 | Jun 06,2019 | Taiwan Corporate Governance Association | Communication of Directors with CPA (Including Audit Committee, Communication Items and Focal Point) | 3 |
| | | | May 30,2019 | May 30,2019 | Taiwan Corporate Governance Association | Corporate Governance, Board Decision Making and the Warning of Bad Companies | 3 |
| | | | May 09,2019 | May 09,2019 | Taiwan Corporate Governance Association | Legal Liability of Directors- Regulations and Cases | 3 |
| | | | Apr 25,2019 | Apr 25,2019 | Taiwan Corporate Governance Association | Explore of Participation Role of Board Supervision and Decision Making (Operations Practice of the Remuneration Committee) | 3 |
| Independent Director | Bing Shen | Jun 20,2018 | Aug 02,2019 | Aug 02,2019 | Securities and Futures Institute | Offensive and Defensive of Trade Secrets Protection | 3 |
| | | | May 03,2019 | May 03,2019 | Taiwan Corporate Governance Association | New Trends in Sustainable Decision Making- TCFD | 3 |
| Independent Director | Susan S. Chang | Jun 20,2018 | Nov 14,2019 | Nov 14,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |
| | | | Jul 23,2019 | Jul 23,2019 | Taiwan Academy of Banking and Finance | Board Operations and Corporate Governance | 3 |

## (5) Composition, Responsibilities and Operations of the Remuneration Committee

### A. Information of Members of the Remuneration Committee:

Professional Qualifications and Independence Analysis of Remuneration Committee Members

| Title | Criteria / Name | Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience | | | Independence Criteria (Note) | | | | | | | | | | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Bank in a public or private junior college, college or university | A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Bank | Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Bank | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent Director | Hsiao Hui Wang | - | V | V | V | V | V | V | V | V | V | V | V | V | V | 1 | - |
| Independent Director | Bing Shen | - | - | V | V | V | V | V | | V | V | V | V | V | V | 2 | According to "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" announced by Financial Supervisory Committee on Jan 15,2020, it's allowed to take the position until current term expired. |
| others | Patrick P. Y. Wu | - | - | V | V | V | V | V | V | V | V | V | V | V | V | 0 | - |

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. NOT an employee of the company or any of its affiliates.
2. NOT a director or supervisor of the company or any of its affiliates.
   It does not apply to independent directors appointed in accordance with Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Bank and its parent or subsidiary or a subsidiary of the same parent.

3. NOT a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
4. NOT a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. NOT a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company, or that ranks in the top 5 in shareholding, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
   It does not apply to independent directors appointed in accordance with Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Bank and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: NOT a director, supervisor, or employee of that other company.
   It does not apply to independent directors appointed in accordance with Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Bank and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: NOT a director (or governor), supervisor, or employee of that other company or institution.
   It does not apply to independent directors appointed in accordance with Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Bank and its parent or subsidiary or a subsidiary of the same parent.
8. NOT a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
   However, the specified company or institution that holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Bank, it does not apply to independent directors appointed in accordance with Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Bank and its parent or subsidiary or a subsidiary of the same parent.
9. NOT a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. NOT a person of any conditions defined in Article 30 of the company Law.

B. Scope of Responsibilities

The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors.

(a) Establish and periodically review performance of the directors and managers, also the policies, systems, standards, and structure of their compensation.

(b) Periodically review and establish the compensation of the directors and managers.

(c) Performance and compensation levels of the directors and managers shall take into account the general pay levels in the industry, and also consider reasonable correlation between individual performance, business performance and future risks.

C. Operations of the Remuneration Committee

(a) The Remuneration Committee includes 3 members.

(b) The 4th tern is from August 14, 2018 to June 19, 2021 which held two meetings in 2019.The members attending the Remuneration Committee meetings were:

| Title | Name | Attendance in Person | By Proxy | Attendance Rate (%) | Remarks |
|---|---|---|---|---|---|
| Convener | Hsiao Hui Wang | 2 | 0 | 100% | |
| Committee Member | Bing Shen | 1 | 1 | 50% | |
| Committee Member | Patrick P. Y. Wu | 2 | 0 | 100% | |

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the bank's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(c) The Remuneration Committee convened two meetings in 2019 with an attendance rate of 83% from all members. The agenda were:

| The Remuneration Committee | Issue | Result | The Follow-Up Measures |
|---|---|---|---|
| the 2nd meeting of the 4th term March 7, 2019 | Contributions for Employees' and Directors' Remuneration of 2018 | The proposals were passed by all members of the Remuneration Committee. | The proposals were approved by all members of the Board of Directors. |
| the 3rd meeting of the 4th term October 16, 2019 | 1. Guidelines for Employee Performance Appraisal and Promotion<br>2. Business Groups' Implementation Schemes of Incentives of 2020 | The proposals were passed by all members of the Remuneration Committee. | The proposals were approved by all members of the Board of Directors. |

## (6) Corporate Social Responsibility Implementation Status and Deviations

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| 1. Does the bank conduct risk assessment on environmental, social and corporate governance issues related to the operation of the company in accordance with the principle of materiality and assess relevant risk management policies or strategies? | ✓ | | ■ The Bank conducts risk assessments of important issues on the basis of the principle of corporate social responsibility, and formulates relevant risk management policies or strategies based on the assessed risks. Risk assessments of important issues on the basis of the principle of corporate social responsibility and risk management policies or strategies refer to table one. | None |
| 2. Does the bank establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? | ✓ | | ■ The Bank's corporate social responsibility was handled part-time by the Public Affairs unit of the Administrative Management Department. The Corporate Social Responsibility Committee was officially operated at the end of 2014. It is an inter-departmental organization composed of middle and high-level managers of all units, responsible for compiling corporate social responsibility reports and so on. "Corporate Social Responsibility Best Practice Principles of Far Eastern International Commercial Bank Co., Ltd." has been formulated and approved by the board of directors. The CSR committee meeting is held annually to continue reviewing the status and implementation effect of the Bank's corporate social responsibility policy. The concept of sustainability is passed to all colleagues through the direct participation and continuous communication of the committee. So that the policies and actions of corporate social responsibility are gradually integrated into the operating system. Furthermore, The CSR implementation status is reported to the senior management and the board of directors annually. | None |
| 3. Environmental issues<br>(1) Does the bank establish proper environmental management systems based on the characteristics of their industries? | ✓ | | ■ The Bank, which participated in the "ISO 50001 Energy Management System Demonstration and Promotion Counseling Program of Service Industry" organized by the Energy Bureau of the Ministry of Economic Affair, built the systematic, institutionalized and standardized ISO 50001 system to acquire international certification and set energy policies. General Manager led an energy management team responsible for planning and integrating the entire internal energy management of the bank. The annual team meeting is to discuss energy management strategy, inspect effectiveness of energy saving project, improve energy use, reduce operating costs and commit environmental protection. In the first year, the bank set own building located in Taoyuan City and the Nanya branch in Banqiao District, New Taipei City as two demonstration sites, the project set 2016 as the base year. From 2017 to 2019, saved by 194,840kWh (701,424 million joules) or 24.43% | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | of electricity by replacing the LED energy-saving light and air condition engine.. | |
| (2) Does the bank endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? | ✓ | | ■ The Bank is improving the efficiency of all resources as follows:<br>1.Launched E-Learning platform to replace the traditional classroom training. It can reduce the transportation time, the air pollution and carbon emission from the traffic, and also the waste of paper.<br>2.Promoted paperless operations in the office and branch, such as: adopting electronic document system, electronic workflows, and etc. The bank also optimizes its digital platforms to continuously increase its usage rate. Due to that, the clients will more willing to use the platform instead of going to branch in person, it will reduce the carbon footprint and paper use for operation of the branch.<br>3.Replaced high-energy-consuming devices year by year, and purchases green energy products with energy saving, green building material, environmental protection and water saving certification logos. The amount of green purchases in 2019 is about 3 million, 1.82 times higher than 2018.In this year, the bank received public recognition from the Taipei Environmental Protection Bureau as "Green Procurement Standard Unit of 2019".<br>4.Popularized waste separation and reduction, resources recycling, energy conservation and carbon reduction. | None |
| (3) Does the bank assess the present and future potential risks and opportunities to business from climate change and take action on climate-related issues? | ✓ | | ■ Climate change has caused an increasing number of environmental hazards. The Bank's response measures to climate-related issues are as follows:<br>1.Introduced the ISO 50001 energy management system and ISO 14064-1 greenhouse gas inventory, set up an energy management team and greenhouse gas inventory teams, formulate "energy management standards" and "energy use risk management operating procedures", analyze the risks of climate change on the Bank's operational activities and energy use processes, and concern the needs of stakeholders. Expect and explore opportunities to improve energy use, and take appropriate action plans to improve energy performance continuously.<br>2.Promoted E-services actively and purchase green label merchandise to reduce carbon emissions.<br>3.Insuring the possible losses of the bank's own assets due to extreme climate anomalies, the bank used insurance to pass on risks and fill costs.<br>4. Formulated the Bank's "Major Disaster Crisis Response Measures", set up a "Disaster Emergency Response Team" and initiated a | None |

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>backup mechanism to protect customer rights and minimize the bank's financial losses when a disaster occurs.</td><td></td></tr>
<tr><td>(4) Does the bank monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish bank strategies for energy conservation and carbon reduction?</td><td>✓</td><td></td><td>
<table>
<tr><th>Item</th><th>2018</th><th>2019</th><th>Increase (Decrease)</th></tr>
<tr><td>Greenhouse gases (metric tons of $CO_2e$)</td><td>1,061.14</td><td>1,038.63</td><td>(22.51)</td></tr>
<tr><td>Water consumption (degree)</td><td>21,026</td><td>20,310</td><td>(716)</td></tr>
<tr><td>Waste (kg)</td><td>61,344</td><td>60,189</td><td>(1,155)</td></tr>
</table>
■ Reducing carbon dioxide emissions is a common concern in the world. The Bank conducts carbon management with the principles of prevention, early warning and screening, and achieves middle and long-term carbon management goal. Electricity is the main reason of greenhouse gas emissions, so that energy conservation and promoting various energy conservation plans continuously are the Banks' primary methods of carbon dioxide emissions. 2017 as the base year, the Bank planned to achieve the goal of reducing carbon by 5% in 2020.<br>
■ Based on environmental sustainability, the Bank continued to promote various energy conservation and carbon reduction policies to reduce greenhouse gas emissions as follows:<br>
1. Newly established branches and some office buildings have adopted energy-saving lamps and inverter power-saving air conditioners.<br>
2. Set air-conditioning temperature to 26 ° C ~ 28 ° C and reduce the working hours.<br>
3. Choose the most power-saving lighting for replacement, such as T8 for T5 or T5 for LED.<br>
4. Set low-energy-saving mode, and shut down personal computer and public OA equipment automatically when sleeping for a long time.<br>
5. Shut down elevators partially in non-peak time to concentrate transportation.<br>
6. Review the energy saving effectiveness of water and electricity quarterly by every unit.<br>
7. Equipped the barrier-free toilet faucet of the new branch with throttling and water-saving equipment, and the water-saving toilet replaces the general toilet.<br>
8. Implement garbage classification and resource recovery, divided into general garbage and recyclable resources.<br>
■ The results of the reduction of greenhouse gas emissions, water consumption and total weight of waste in the headquarters building of the Bank in the past two years are as follows:<br>
Notes: The greenhouse gas emissions of the head office building were approved by the British Standards Institutions</td><td>None</td></tr>
</table>

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | ■ Taiwan government constructively develops renewable energy, such as wind energy, solar energy, geothermal energy, and etc. The bank subscribed 20,000 kWh of renewable energy for environmental protection in 2019. | |
| 4. Social issues | | | | |
| (1) Does the bank formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | ✓ | | ■ Please refer to the "Labor Relations" section on page 124-127 of this annual report. | None |
| (2) Does the bank establish and implement reasonable staff benefits measures (including remuneration, leave and other benefits) and reflect its operating performance or results appropriately in staff remuneration? | ✓ | | ■ Please refer to the "Labor Relations" section on page 124-127 of this annual report. | None |
| (3) Does the bank provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? | ✓ | | ■ Please refer to the "Labor Relations" section on page 124-127 of this annual report. | None |
| (4) Does the bank provide its employees with career development and training sessions? | ✓ | | ■ Please refer to the "Employee Training and Development" and "Training and Development Plan in 2020" section on page 118 of this annual report. | None |
| (5) Does the bank comply with relevant regulations and international standards, and develop relevant consumer protection policies and grievance procedures for customer health and safety, customer privacy, marketing and labeling of products and services? | ✓ | | ■ The Bank has adopted the "FEIB Financial Consumer Protection Act" and the "FEIB Handling System for Financial Consumer Disputes"<br>■ The products and services of the Bank are in compliance with the relevant regulations and standards.<br>■ Changes in products and services (e.g., standard contracts, notifications of changes in customer rights) are also handled in accordance with the regulations or governing rules stipulated by the competent authority | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| (6) Does the bank have a supplier management policy that requires suppliers to comply with the relevant norms on issues such as the environment, occupational safety and health, or human rights in the workplace, and its implementation? | ✓ | | ■ The Bank had set "Supplier Social Responsibility Management Essentials", which includes labor and human rights, health and safety, environmental protection and ethics. The suppliers need to comply with the essentials and sign the "Supplier Social Responsibility Commitment" before signing the contract or making transaction. The purchasing unit will set up different evaluation criteria by case, and contained in the contract to ensure that the suppliers meet the requirements (e.g., ISO qualification, etc.). In 2019, the bank did not find any negative news related to human rights and labor rights of its suppliers.<br>■ Besides evaluating the quality, technology and finance of major suppliers which have signed the Supplier Social Responsibility Commitment, the Bank also evaluated environmental protection, social responsibility, labor conditions and environmental protection. The evaluation result is published on the official website. | None |
| 5. Does the bank disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)? | ✓ | | ■ A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Bank's 2018 Annual Corporate Social Responsibility Report was verified by The British Standard Institution (BSI) in June 2019 against the AA 1000 Assurance Standard and the GRI Standard guideline on materiality, inclusivity and responsiveness. | None |
| 6. If the Bank has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation:<br>None | | | | |
| 7. Other important information to facilitate better understanding of the bank's corporate social responsibility practices:<br>Please refer to page 119-121 | | | | |

Table 1: Risk assessments of important issues on the basis of the principle of corporate social responsibility and risk management policies or strategies

| Important Issues | Risk Assessment Items | Risk Management Policies or Strategies |
|---|---|---|
| Environment | Strict environment laws | ■ Introduce ISO 50001 Energy Management System.<br>■ Introduce the greenhouse gas examination (ISO 14064-1), and acquired the ISO 14064-1:2006 certification. |
| | Impact on credit/investment | ■ Review exposure positions of investment targets and objects regularly.<br>■ Incorporate the potential environmental risk factors faced by the industry into the selection of investment targets or evaluation projects when making credit business, e.g., whether the investment industry has set up a special unit for disaster response to reduce losses. |
| Social | Trend of sustainable operation | ■ Increase focus on emerging green industries such as low-carbon and alternative energy industries, and focus on new business opportunities.<br>■ Inventory financial products and plan to introduce ESG-related ETFs or bonds in 2020.<br>■ Continue to optimize the E/M service platform and expand E-products / services to maintain off-counter rate over 90%. |
| | Branches safety | ■ Compare the environmental and climate-related data in the location selection of branches, avoiding the sea, low-lying places or geologically unstable places.<br>■ Establish disaster prevention and mitigation measures such as waterproof gates and sandbags in branches and offices.<br>■ Establish emergency response measures and take the General Administration Department as the special unit, set up the Build Duty Officer System and emergency response procedures for each unit, grasp the focus of the accident within 30 minutes of the accident, notify the senior executives and initiate crisis management. |
| | IT equipment safety | ■ Establish principles for handling emergencies.<br>■ Test and maintain the mechanical and electrical equipment by professional vendors every year.<br>■ Remote backup of machine/server room.<br>■ Regularly test and maintain systems of the strategic alliance business and establish backup system. |
| Corporate Governance | Socioeconomic and compliance | ■ By establish governance organizations and implementation of internal control systems, ensure all personnel and operations in compliance with relevant laws and regulations. |

## (7) Ethical Corporate Management

| Evaluation Item | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| 1. Establishment of ethical corporate management policies and programs | | | | |
| (1) Does the bank have a policy of good faith management approved by the board of directors, and clearly state the policy and practice of good faith management in the regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the policy? | ✓ | | ■ The "Ethical Corporate Management Best-Practice Principles" adopted by the Bank's 3rd meeting of the 9th Board of Directors on November 6, 2015, was amended by the board resolution on March 23, 2020 in the 8th meeting of the 10th term Board of Directors. which clearly stated the policies and practices of the Bank's integrity management, and the commitment of the Board of Directors and the management for active implementation. More than that, the bank adopted "Employee Service and Behavior Standard" and the "Ethical Behavior Standard" to clarify the integrity of employees' behavior. The bank regularly provided regulation education and compliance tests to employees.<br>■ The board of directors and management also actively implement the company's integrity management in accordance with company law, securities trading law, other relevant laws and regulations and internal procedures of the company. | None |
| (2) Does the bank establish policies to prevent unethical conduct with clear statements regarding relevant procedures, which at least covers the prevention measures of the behaviors of Article 7, paragraph 2, "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? | ✓ | | ■ The Bank formulated "Ethical Corporate Management Best-Practice Principles", which clearly regulated the behavior of business activities. In addition, we regularly educate employees and supervise them to sign the "Employee Service Rules and Conduct Code" every year to prevent the occurrence of business activities with a higher risk of dishonest behavior. | None |
| (3) Does the bank implemented and regularly reviewed the procedures, conduct guidelines, disciplinary and grievance systems for non-compliance as set out in the anti-dishonest action plan? | ✓ | | ■ Employee：Please refer to the "Employee Behavior and Ethics Standards" section on page 119-121, and "Labor Relations" section on page 124-127 of this annual report. The bank has established "Codes of Ethical Conduct". | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| 2. Fulfill operations integrity policy | | | | |
| (1) Does the bank evaluate business partners' ethical records and include ethics-related clauses in business contracts? | ✓ | | ■ When entering into contracts with the trading counterparties, the Bank has included the ethical conduct provisions if practicable | None |
| (2) Does the bank set up a dedicated unit under the board of directors to promote business integrity and report to the board of directors on a regular basis (at least once a year) the bank's integrity policy, prevention plan and supervision? | ✓ | | ■ The Bank formulated "Ethical Corporate Management Best-Practice Principles", " Codes of Ethical Conduct ", "Employee Service and Behavior Standard" and" Codes of Informing against Illegal, Unmoral and Lacking in Sincere Conduct". Integrity Management is handled part-time by Human Resource Department.<br>■ The human resources department employs staff through a strict selection process and Legal & Compliance Department formulated "Employee Service and Behavior Standard" and supervised employee's duty regularly. Then, the department reports the statues to the Board semiannually (reported on Q1 and Q3 Board meeting in 2019).<br>■ The Bank regularly provide educational training courses:<br>(1) "Employee Service and Behavior Standard ": Held quarterly.<br>Total participation in 2019: 10,351<br>Total number of hours in 2019: 1,076<br>(2) "Awareness of Capital Security and Personal Protection": Held annually.<br>Total participation in 2019: 2,624<br>Total number of hours in 2019: 7,872<br>■ The bank has" Codes of Ethical Conduct", "Work Rules" and "Employee Service and Behavior Standard" to prevent conflicts of interest.<br>Any violation can be raised through reporting and will be handled by the designated personnel. | None |
| (3) Does the Bank establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? | ✓ | | ■ Directors not only conduct the loyalty and shall exercise the due care of a good administrator with highly self-discipline and prudence to supervise the bank's operation and financial performance but also ensure that the integrity management policy has executed properly.<br>■ Directors avoided discussing or voting on any interest-of-conflict proposal. They also cannot exercise the voting right on behalf of other directors in this case.<br>■ Regarding to "Employee Service and Behavior Standard", employee cannot | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | handle any case related to themselves, their spouse, or their third-degree relatives. | |
| (4) Does the bank established an effective accounting system and internal control system for implementation of integrity management, and the internal audit department has drawn up the relevant audit plan based on the evaluation results of dishonesty risk, and checked the compliance to prevent dishonesty, or entrust an accountant to perform the audit? | ✓ | | ■ The Bank has been established accounting policies in accordance with accounting principles and the template set of by the banker's association.<br>All business transactions must be recorded in the accounting system based on the substance.<br>The accounting system is regularly audited by CPAs and carried out self-checking plans without significant anomalies. | None |
| (5) Does the bank regularly hold internal and external educational trainings on operational integrity? | ✓ | | ■ The bank carries out legal training and exams for employees regularly. All employees are required to attend Information Security and Personal Data Protection courses every year, and also need to sign for "Employee Service and Behavior Standard" yearly and attend courses quarterly. | None |
| 3. Operation of the integrity channel | | | | |
| (1) Does the bank establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? | ✓ | | ■ Please refer to the "Labor Relations" section on page 124-127 of this annual report. | None |
| (2) Has the bank established standard operating procedures for handling the investigation, follow-up measures to be taken after the investigation and relevant confidentiality mechanisms? | ✓ | | ■ Please refer to the "Labor Relations" section on page 124-127 of this annual report. | None |
| (3) Does the bank provide proper whistleblower protection? | ✓ | | ■ Please refer to the "Labor Relations" section on page 124-127 of this annual report. | None |
| 4. Strengthening information disclosure<br>Does the Bank disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS? | ✓ | | ■ The Bank formulated "Ethical Corporate Management Best-Practice Principles". The context of the principles and results of our implementation have been published on the official website. | None |
| 5. If the Bank has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.<br>None. | | | | |

| Evaluation Item | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |

6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., reviews and amends its policies).
"Ethic Corporate Social Responsibility Best-Practice Principles" is formulated. And it will continue reviewing and revising in response to the integrity management needs. For sustainable development, the bank applied integrity management into its corporate culture.

## (8) Corporate Governance Guidelines and Regulations

The Bank's "Corporate Governance Principle" was formulated based on "Best Corporate Governance Practices of Banks" and "Best Corporate Governance Practices of TWSE/TPEx". Please refer to the Bank's website (https://www.feib.com.tw/).

## (9) Other Important Information Regarding Corporate Governance

The Bank has set up "Statutory Public Disclosure" section on the Bank's website to disclose information on operations, dividends, stock price, corporate governance, spokesperson contact, etc. The Bank dedicates to enhance transparency of information and protection of investor rights. In addition, The Bank has set up "Rule of Preventing Insider Trading of the Bank and Its Invested Entities" as the basis for the Bank's major information processing and disclosure mechanism and reviewed these measures from time to time to meet current legal and practical management needs. The rule is posted in the internal document management system for all employees' checking. The Bank also issues "The Noticeable Issues of Shareholding Change of the Bank's Insiders "as reminder to related parties.

## (10) Internal Control System

### A. Statement of Internal Control system of FEIB

**Far Eastern International Bank Co., Ltd**
**Statement on Internal Control System**

Date: March 23, 2020

1. On behalf of Far Eastern International Bank Co., Ltd., we hereby certify that in the period from January 1, 2019 to December 31, 2019, the Bank duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, conducting risk management, designating an independent audit department to conduct audits, and presenting reports to the Board of Directors and Audit Committee on a regular basis. With regard to the securities business, the Bank assessed the effectiveness of the design and implementation of its internal control system based on the evaluation criteria set forth in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, we hereby certify that the internal control and legal compliance systems of all departments were effectively implemented during the year.
2. For Insurance Agent Business：
   (1) The bank evaluates the effectiveness of the design and implementation of its internal control system based on the criteria provided in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies"(hereafter the "Regulations") promulgated by the Financial Supervisory Commission. According to the criteria set forth in the Regulations, there are five absolutely essential items: 1. controlled environment, 2. risk assessment, 3. controlled operations, 4. information and communication, and 5. supervision operations.
   (2) The bank already evaluated the effectiveness of the design and implementation of its internal control system based on the aforesaid criteria.
   (3) Based on the results of the foregoing evaluation, the Bank regards the design and implementation of its internal control system (including affirmation of the soundness of business operations, reliability of reporting, and compliance with applicable laws and regulations) during the aforesaid period as effective, thereby providing reasonable assurance for achieving the goals cited above.
   (4) This Statement was approved by the Board of Directors on March 23, 2020.
3. This Statement will be included as a major component of the Bank's annual report and other prospectuses and disclosed to the public. Any information contained in this Statement that is found to involve falsification, concealment, or other illegalities shall be subject to legal liabilities prescribed in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

The Statement is submitted to the Financial Supervisory Commission
Declarant
Chairman：Hou, Ching Ing
President：Chou, Thomas
Chief Auditor：Huang, Chih Wei
Chief Compliance Officer：Yeh, Yu Ching
Date: March 23, 2020

Far Eastern International Bank Co., Ltd
Improvement Plan of Internal Control System
（Base Date: December 31, 2019）

| Item for Improvement | Improvement Measures | Scheduled Date of Completion |
|---|---|---|
| NONE | | |

B.CPA Report

None

## (11) Law Violations Resulting in Punishment, Major Deficiencies and Rectification Measures Adopted during the Most Recent Fiscal Two Years and Up to the Publication Date of the Annual Report

A. Prosecution against the responsible person or employee for criminal conduct

Regarding the convertible bond asset swap business issued by the XPEC Entertainment Inc., the Taipei District Prosecutors Office filed a charge against the deputy executive vice president for violation of the Securities and Exchange Act and breach of trust, and the officer was acquitted in the second instance by the Taiwan High Court.

B. Fines imposed by the FSC for violations. (during the most recent fiscal two years and up to the publication date of the annual report)

None

C. Disciplinary actions taken by the FSC pursuant to Article 61-1 of the Banking Act

(a) Major Deficiency: (Jan 18, 2019)

The Mandatory requirement to remedy defects determined in Full Scope Examination conducted by Financial Supervisory Commission, R.O.C (Taiwan) in 2017.

- Marketing activities for wealth management business were not fully in compliance with the regulations set by FSC.
- No registration to the Bankers Association was filed before the qualified staffs introducing the derivative financial products to customers.
- About mutual funds online transactions, there is lack of control mechanism causing the system failure in detecting the operations of the unrelated customers using the same mobile device or the same IP address.

Status of Improvement:

- A checklist is prepared to ensure marketing proposals and advertising items in line with the check points and is submitted to Legal Compliance Department for approval before further execution.

- Information of relevant certifications required for Wealth Management has been subsumed in the employee orientation program.
- New recruits have to complete the application form for registration of Certification Test for Financial Derivatives Sales Personnel with The Bankers Association of the Republic of China upon first reporting for duty. In addition, the administrator is notified to withdraw the registration with Bankers Association of the Republic of China upon completion of resignation procedure with the approval of resignation form from Head of Wealth Management Department of Retail Banking Group.
  - ❶ New recruits have to register professional certificates with The Bankers Association of The Republic of China within 5 working days upon reporting for duty. Regular examinations in the procedure described above will be executed by Wealth Management Department on a monthly basis. Furthermore, a list of registration status for each of branch manager and recruit shall be provided to Branch Heads.
  - ❷ Any recruit fails to complete the registration of professional certificates with The Bankers Association of The Republic of China will be precluding from engaging in all financial services by supervisory control systems.
- With regard to online trading in mutual funds, the supervisory control system is enhanced through inputting extra monitoring parameters:
  - ❶ The original parameter was to identify if sales force shared the same IP address with clients. By inputting extra monitoring parameters, the supervisory control systems shall be able to detect whether the same mobile device or IP address is shared in mutual funds online trading with one another.
  - ❷ The period of supervisory control is extended from one to five working days.
  - ❸ Supervisory control is extended from mutual funds purchasing to mutual funds trading (inclusive of purchasing, transferring and redeeming) in case of sales misconduct.
  - ❹ Penalty in case of reoccurrence of the above is imposed.

(b) Major Deficiency: (Jan 18, 2019)

The Mandatory requirement from Financial Supervisory Commission, R.O.C (Taiwan) to remedy defects in misconducts of our former clerk from Taipei Nanjing East Road Branch including misappropriation of client's funds and forgery of bank statements.

Status of Improvement:

- The standard operating procedure is enhanced for making a deposit and a withdrawal by adjusting internal control principles that regardless of deposit or withdrawal amount, clients shall be requested to verify the specific amount deposited or withdrawn at the deposits and remittances counter prior to departure.
- Warning messages shall be conveyed via a bank statement delivered by clients' preferable means on the 7th day after opening an account.
- Warning messages of "Clients shall keep bankbooks, certificates of deposit, chequebooks or seals with great caution" are revealed inside the

bankbook、Account Opening Application and official website, which have been printed in bold, black type in order to further emphasize their importance.

(c) Major Deficiency: (Mar 5, 2019)

The findings of deficiencies of FEIB included anti-money laundering, financial business marketing campaigns and online banking operations, and the Financial Supervisory Commission ordered a correction.

- The management of anti-money laundering and counter-terrorism financing operations has not been perfected, including the account opening operation of legal entity customer, account opening due diligence on high-risk customer, reviewing and adjusting the risk level of the customer who has material changes in customer identity and information, and the warning function of suspicious transaction red flags.
- Marketing activities for financial business were not fully in compliance with related regulations.
- About mutual funds online transactions, there is lack of control mechanism cause the system failure in detecting the operations of the unrelated customers belonged the same financial consultant using the same IP address in a short time.

Status of Improvement:

- Legal entity customer account opening operation –
  1. Enhanced system functions and created the " Beneficial Owner Checklist".
- Account opening due diligence on high-risk customers -
  1. Revised the "General Banking Business Anti-Money Laundering and Counter-Terrorism Financing Operation Procedure" and the "Opening Account Operation Checklist".
- Review and adjust the risk level of the customer who has material changes in customer identity and information -
  1. Established the relevant notification process and strengthened the risk score adding mechanism of AML system.
- Waring function for suspicious transaction
  1. The operation procedures related to deposits have been revised.
  2. Inspection focused on "same address registered by many customers, frequent address change, or the address is invalid", then processed result monthly by "email/mailing address abnormal inspection operation procedure"
- A checklist to ensure marketing proposals and advertising items are in line with the check points. The checklist shall then be submitted to Legal Compliance Department for endorsement of the deeds so as to proceed further.
- With regard to online trading in mutual funds, enhance the efficacy of supervisory control systems through inputting extra monitoring parameters:
  1. The original parameter was to identify if sales force shared the same IP address with clients. By inputting extra monitoring parameters, the supervisory control systems shall be able to detect whether the same

mobile device or IP address is shared in mutual funds online trading with one another.

❷ Extend the period of supervisory control from one to five working days.

❸ Extend supervisory control from mutual funds purchasing to mutual funds trading (inclusive of purchasing, transferring and redeeming) in case of sales misconduct.

❹ Internal control principles on penalty in case of reoccurrence of the above have been established.

D. Punishment of internal personnel for violating the internal control system.

(a) Major Deficiency: (Jan 1, 2019)

A former staff, which appropriated customer's funds and provided fraudulent bank statements to customers, was dismissed by the resolution of the third personnel review committee in 2018.

E. Disclosures of a total loss exceeding NT$50 million in each fiscal year due to corruptions of employees, major incidental cases or safety accidents caused by failure to actually perform safety maintenance work.

None.

F. Other necessary disclosures prescribed by FSC

None

## (12) Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major resolutions of Shareholders' Meeting

| Session | Date | Major resolutions | Execution |
|---|---|---|---|
| 2019 Shareholders' Meeting | Jun 19,2019 | 2018 Business Report and Financial Statements | On August 12, 2019, The Board of Directors approved the ex-right date of stock dividends on September 4, 2019, and all dividends were paid on September 27, 2019.(Cash dividend per share is NT$0.450, Stock dividend per share is NT$0.265) |
| | | Proposal of 2018 Earnings Distribution | |
| | | Proposal of Issuing New Shares – to Capitalize Shareholder Dividends | |
| | | Proposal of Private Placement - to Issue Common Shares, Preferred Shares, Convertible Bonds or a Combination of above Securities to Specific Parties | Per resolution, the notion is yet to be actually implemented, pending locating the strategic alliance. |
| | | Amendments to "Handling Procedure for Acquisition and Disposal of Assets" | The Bank has released the amended Procedure on the official website on Jun 19, 2019 and proceeded accordingly. |

B. Major Resolutions of Board Meetings

| Session | Date | Major resolutions |
|---|---|---|
| 4th meeting of 10th Board of Directors | Mar 26, 2019 | ■ 2018 Financial Statements and Consolidated Financial Statements<br>■ 2018 Earnings Distribution<br>■ 2018 Proposal of Issuing New Shares – to Capitalize Shareholder Dividend<br>■ Proposal of Private Placement – to Issue Common Shares, Preferred Shares, Convertible Bonds or A Combination of Above Securities, maximum 10 billion NT dollars or foreign currency equivalent in total<br>■ Amendment to "Regulations Governing the Procedures to Acquisition or Disposal of Assets" for Far Eastern Group.<br>■ The 2019 Shareholders' Meeting is held on June 19, 2019 and the proposal period of the 2019 shareholders' meeting is from April 15, 2019 to April 24, 2019.<br>■ Change of the accountant for certifying financial statements and update of independence evaluation on the new CPA.<br>■ Amendment to "Management of Operation of Board Meetings"<br>■ Amendment to "Enforcement Regulations Governing Internal Audit System of Insurance Agency Group"<br>■ Amendment to "Strategies of Anti-Money Laundering and Countering Financing of Terrorism for Far Eastern Group" and "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism"<br>■ Amendment to "Internal Control and Solicit Procedure of Insurance Agency Group"<br>■ Relocation case for Taipei 101 Mini Branch<br>■ Relocation case for Taipei Hsiang Yang Branch<br>■ Relocation case for Changhua Branch |
| 5th meeting of 10th Board of Directors | May 6, 2019 | ■ 2018 Q1 Consolidated Financial Statements<br>■ Amendment to "Corporate Governance Principles" and "Management of Operation of Board Meetings" for Far Eastern Group.<br>■ Amendment to "Guidelines of dealing with Collaterals" for Far Eastern Group.<br>■ Relocation case for Kaohsiung Fengshan Branch. |

| Session | Date | Major resolutions |
|---|---|---|
| 6th meeting of 10th Board of Directors | Aug 12, 2019 | ■ Submission of the company's 2018 H1 Financial Statements and Consolidated Financial Statements.<br>■ Decisions to set the ex-right date and ex-dividend date for the Company's 2018 Earnings Distribution.<br>■ Proposal of Chungshan Building's disposal plan.<br>■ Amendment to "Regulations Governing Board Meetings' performance evaluation" for Far Eastern Group.<br>■ Amendment to "Precautions of dealing with illegal, immoral and dishonest behavior report" for Far Eastern Group.<br>■ Amendment to "Precautions of Anti-Money Laundering and Countering the Financing of Terrorism" and "(Concurrently Operating Insurance Agency Business) Precautions of Anti-Money Laundering and Countering the Financing of Terrorism" for Far Eastern Group.<br>■ Amendment to "Internal Control and Solicit Procedure of Insurance Agency Group".<br>■ Amendment to "Guidelines of Credit Financial Derivative" for Far Eastern Group.<br>■ Amendment to "Regulations Governing the Financial Markets Proprietary Trading Business authorization" for Far Eastern Group.<br>■ Amendment to "Standard Specification of Internal Control System for Concurrently Operating Securities Firms Bonds Dealer" for Far Eastern Group. |
| 7th meeting of 10th Board of Directors | Nov 6, 2019 | ■ 2018 Consolidated Financial Statements.<br>■ Change of the accountant for certifying financial statements and update of independence evaluation on the new CPA.<br>■ Amendment to "Guidelines of Internal Audit" and "Precautions of Internal Audit" for Far Eastern Group.<br>■ Amendment to "Organizational Charters of Far Eastern International Bank" and transfer of managers.<br>■ Amendment to "Regulations Governing the staff appointment" for Far Eastern Group.<br>■ Amendment to "Regulations Governing the Employee Performance Evaluation and Promotion Development" for Far Eastern Group.<br>■ Amendment to "Regulations Governing the Internal Operating for the Outsourcing" for Far Eastern Group.<br>■ Amendment to "Internal Control and Solicit Procedure of Insurance Agency Group" for Far Eastern Group.<br>■ Amendment to "Regulations Governing the Credit Business authorization" for Far Eastern Group. |

| Session | Date | Major resolutions |
|---|---|---|
| 8th meeting of 10th Board of Directors | Mar 23, 2020 | ■ 2019 Financial Statements and Consolidated Financial Statements.<br>■ 2019 Earnings Distribution.<br>■ 2019 Proposal of Issuing New Shares – to Capitalize Shareholder Dividend.<br>■ Proposal of Private Placement – to Issue Common Shares, Preferred Shares, Convertible Bonds or A Combination of Above Securities, maximum 10 billion NT dollars or foreign currency equivalent in total.<br>■ The 2020 Shareholders' Meeting was held on June 21,2020 and the proposal period of the 2020 shareholders' meeting was from April 4,2020 to April 13,2020.<br>■ Amendment to "the Articles of Incorporation of Far Eastern International Bank"<br>■ Amendment to "Ethical Corporate Management Best Practice Principles" for Far Eastern Group.<br>■ Amendment to "Remuneration Committee Charter" for Far Eastern Group.<br>■ Amendment to "Regulations Governing and Inspection of Offshore Structured Products" for Far Eastern Group.<br>■ Amendment to "Internal Control and Solicit Procedure of Insurance" for Far Eastern Group.<br>■ Amendment to "Regulations Governing the Credit Business of Individual Mortgage" and "Regulations Governing the Credit Business of Individual Credit Loan" for Far Eastern Group.<br>■ Amendment to "Implementation Rules of legal compliance system" for Far Eastern Group. |

### (13) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors:

None.

### (14) Resignation or Dismissal of the Bank's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, and Internal Audit, and corporate governance officer.

None.

## 4. Information on CPA audit fees

CPA Audit Fees Bracket

| Accounting Firm | Name of CPA | | Audit Period | Remarks |
|---|---|---|---|---|
| Deloitte & Touche | Shih-Tsung Wu | Ying-Chou Chen | 2019Q1 to Q3 | None |
| Deloitte & Touche | Chun-Hung Chen | Ying-Chou Chen | 2019Q4 | None |

Unit: NT$ Thousands

| Fee Range \ Fees Item | | Audit Fees | Non-audit Fees | Total |
|---|---|---|---|---|
| 1 | Under 2,000 | | | |
| 2 | 2,000 (incl.) ～4,000 | | | |
| 3 | 4,000 (incl.) ～6,000 | | | |
| 4 | 6,000 (incl.) ～8,000 | V | | |
| 5 | 8,000 (incl.) ～10,000 | | | |
| 6 | 10,000 and above | | V | V |

### (1) Non-Audit Fee Exceeded 25% of Audit Fee:

Unit: NT$ Thousands

| Accounting Firm | Name of CPA | | Audit Fees | Non-Audit Fees | | | | | Audit Period | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | System Design | Business Registration | Human Resources | Others (Note1) | Subtotal | | |
| Deloitte & Touche | Shih-Tsung Wu | Ying-Chou Chen | 6,280 | - | - | - | 10,635 | 10,635 | 2019Q1 to Q3 | None |
| Deloitte & Touche | Chun-Hung Chen | Ying-Chou Chen | | | | | | | 2019Q4 | |

Note : Other non-audit fees include internal control review, AML/CFT project review, personal information protection project review, electronic system information security assessment, and so on.

### (2) Changed Accounting Firm with Less Audit Fee Paid Compared to the Previous Year:

Not applicable.

### (3) Audit fee Decreased Over 15% Compared to the Previous Year:

Not applicable.

## 5. Replacement of CPAs

### (1) Regarding the former CPA

| | | | | |
|---|---|---|---|---|
| Replacement Date | Approved by the Board of Directors on November 6, 2019 | | | |
| Replacement reasons and explanations | Due to the internal job adjustment from Deloitte & Touche, CPA will be changed from Shih-Tsung Wu to Chun-Hung Chen from 2019Q4. | | | |
| Describe whether the Company terminated or the CPA did not accept the appointment | Parties / Case | | CPA | The Bank |
| | Termination of appointment | | Not applicable | Not applicable |
| | No longer accepted (continued) appointment | | Not applicable | Not applicable |
| Other issues (except for unqualified issues) in the audit reports within the last two years | Not applicable | | | |
| Differences with the company | Yes | | Accounting principles or practices | |
| | | | Financial report disclosure | |
| | | | Auditing scope or procedure | |
| | | | Others | |
| | | | | |
| | No | V | | |
| | Description | | | |
| Other Revealed Matters (Matters that should be disclosed in accordance with Item 1-4, Subparagraph 6, Article 10 of these guidelines) | Not applicable | | | |

### (2) Regarding the successor CPA

| | |
|---|---|
| Name of accounting Firm | Deloitte & Touche |
| Name of CPA | Chun-Hung Chen |
| Date of appointment | Approved by the Board of Directors on November 6, 2019 |
| Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement. | None |
| Succeeding CPA's written opinion of disagreement toward the former CPA | None |

## 6. Chairman, President, and Managers in Charge of Finance or Accounting who holds any positions in the Bank's Independent Auditing Firm or its Affiliates within the recent year

None.

## 7. The Changes in Shareholding

(1) Article 11 of the " Guiding principles governing directors, managers or their related parties, if holding more than certain percentage of the same bank's shares with voting rights" stipulates that any shareholding changes to the aforementioned shareholders shall be reported

Unit: share

| Title | Name | 2019 | | As of April 13, 2020 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairperson | Yue Ding Industry Co., Ltd.<br>Representative:Ching-Ing Hou | *264,035<br>444 | -<br>- | -<br>- | -<br>- |
| Vice Chairman | Douglas Tong Hsu | 164,719 | - | - | - |
| Executive Director | Far Eastern New Century Corp.<br>Representative:Shaw Y. Wang | *2,265,779<br>43,701 | -<br>- | -<br>- | -<br>- |
| Executive Director | Asia Cement Corp.<br>Representative:Tsung-Ming Chung | *2,036,319<br>- | -<br>- | -<br>- | -<br>- |
| Director | Far Eastern New Century Corp.<br>Representative:Humphrey Cheng | *2,265,779<br>- | -<br>- | -<br>- | -<br>- |
| Director | Far Eastern New Century Corp.<br>Representative：James Wu | *2,265,779<br>- | -<br>- | -<br>- | -<br>- |
| Director | Asia Cement Corp.<br>Representative:Shi-Chun Hsu | *2,036,319<br>- | -<br>- | -<br>- | -<br>- |
| Director | U-Ming Marine Transport Corp.<br>Representative:Min-Teh Yu | *2,034,854<br>- | -<br>- | -<br>- | -<br>- |
| Independent Director, Managing Director | Hsiao Hui Wang | - | - | - | - |
| Independent Director | Bing Shen | - | - | - | - |
| Independent Director | Susan S. Chang | - | - | - | - |
| President | Thomas Chou | 50,864 | - | - | - |
| Chief Executive Vice President | Jiann Jong Lin | 35,433 | - | - | - |
| Senior Executive Vice President | Ben Liao Ru | 19,909 | - | - | - |
| Executive Vice President | Alan Lee | 21,593 | - | - | - |
| Executive Vice President | Simon Tai | 10,471 | - | - | - |
| Executive Vice President | Sophie Chang | 9,000 | - | - | - |

| Title | Name | 2019 | | As of April 13, 2020 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Executive Vice President | Steve Chi | 4,225 | - | - | - |
| Executive Vice President | Lonnie Liu | 19,404 | - | - | - |
| Executive Vice President | James Dai | 12,933 | - | - | - |
| Executive Vice President | Shin Hwa Chou | 3,164 | - | - | - |
| Chief Auditor | Chih Wei Huang | 4,029 | - | - | - |
| Chief Compliance Officer of the Head Office | Elaine Yeh | 92 | - | - | - |
| Senior Deputy Executive Vice President | Daphne Huang | 5,614 | - | - | - |
| Senior Deputy Executive Vice President | Ying Ching Hu | 11,218 | - | - | - |
| Senior Deputy Executive Vice President | Sam Tsai | 6,850 | - | - | - |
| Senior Deputy Executive Vice President | Lionel Chen | 6,165 | - | - | - |
| Senior Deputy Executive Vice President | Hui Ling Chen | 614 | | - | - |
| Senior Deputy Executive Vice President | Veichou Chih | - | - | - | - |
| Senior Deputy Executive Vice President | Roger Lo | 861 | - | - | - |
| Senior Deputy Executive Vice President | Vincent Liu | 8,939 | - | - | - |
| Senior Deputy Executive Vice President | Yueh Hua Wu | 1,014 | - | - | - |
| Senior Deputy Executive Vice President | Bob Chen | 3,863 | - | - | - |
| Senior Deputy Executive Vice President | Chen Chen Ma | 1,407 | - | - | - |
| Senior Deputy Executive Vice President | Isabel Chen | 1,077 | - | - | - |

| Title | Name | 2019 | | As of April 13, 2020 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Senior Deputy Executive Vice President | Brucelo Lo | 3,933 | - | - | - |
| Deputy Executive Vice President | Margaret Du | 7,998 | - | - | - |
| Deputy Executive Vice President | Ines Hong | 21 | - | - | - |
| Deputy Executive Vice President | Chiung Yu Song | 11,602 | - | - | - |
| Deputy Executive Vice President | Civi Tsai | 621 | - | - | - |
| Deputy Executive Vice President | Emily Chou | 5,704 | - | - | - |
| Deputy Executive Vice President | Baker Lin | 6,747 | - | - | - |
| Deputy Executive Vice President | Cindy Chen | 6,853 | - | - | - |
| Deputy Executive Vice President | Joy Tien | 95 | - | - | - |
| Deputy Executive Vice President | An Li Ma | (47,166) | - | - | - |
| Deputy Executive Vice President | Gloria Hsieh | 2,718 | - | - | - |
| Deputy Executive Vice President | Senh Sing Pei | 4,258 | - | - | - |
| Deputy Executive Vice President | Teresa Lo | - | - | - | - |
| Deputy Executive Vice President | Frank Song | 159 | - | - | - |
| Deputy Executive Vice President | Shu Yun Cheng | 3,669 | - | - | - |
| Deputy Executive Vice President | Chingh Siang Chen | 35 | - | - | - |
| Deputy Executive Vice President | Kuo Ying Huang | (3,055) | - | - | - |
| Deputy Executive Vice President | Felicia Tseng | - | - | - | - |
| Deputy Executive Vice President | Warren Ko | - | - | - | - |
| Deputy Executive Vice President | Starsky Chiang | - | - | - | - |
| Deputy Executive Vice President | Wen Ming Yang | 734 | - | - | - |
| Deputy Executive Vice President | Audrey Lin | 26 | - | - | - |
| Deputy Executive Vice President | Karry Tsai | 3,279 | - | - | - |

| Title | Name | 2019 | | As of April 13, 2020 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Deputy Executive Vice President | Yi Chen Wang | 3,549 | - | (104,306) | - |
| Deputy Executive Vice President | Alex Kao | 7 | - | - | - |
| Deputy Executive Vice President | Justice Chang | - | - | - | - |
| Deputy Executive Vice President | Alex Chien | 23 | - | - | - |
| Deputy Executive Vice President | Amber Tseng | 3,530 | - | - | - |
| Deputy Executive Vice President | Shu Hui Lee | 9,063 | - | - | - |
| Deputy Executive Vice President | Patty Wei | 4,104 | - | - | - |
| Deputy Executive Vice President | Din Chan Chen | 2,080 | - | - | - |
| Deputy Executive Vice President | Su Hsiang Li | 4,205 | - | - | - |
| Deputy Executive Vice President | Tony Li | 39 | - | - | - |
| Deputy Executive Vice President | Wei Chuan Huang | 1,528 | - | - | - |
| Deputy Executive Vice President | Tun Pin Wang | 2,248 | - | - | - |
| Deputy Executive Vice President | Chang Ling Chu | 23 | - | - | - |
| Senior Vice President | Allen Li | 3,871 | - | - | - |
| Senior Vice President | Mag Chen | 2,540 | - | - | - |
| Senior Vice President | Allen Lu | 14 | - | - | - |
| Senior Vice President | Olive Yin | 2,565 | - | - | - |
| Senior Vice President | Chia Wei Hsiao | 2,606 | - | - | - |
| Senior Vice President | Sofia Hsu | 1,361 | - | - | - |
| Senior Vice President | Wilson Huang | - | - | - | - |
| Senior Vice President | Jeff Chiu | - | - | - | - |
| Senior Vice President | Hsing Chien Wei | 2,631 | - | (98,000) | - |
| Senior Vice President | Michael Huang | 2,186 | - | - | - |
| Senior Vice President | Yao Chang Lin | - | - | - | - |
| Senior Vice President | Yu Hui Huang | - | - | - | - |
| Senior Vice President | Jung Chang Juan | - | - | - | - |
| Senior Vice President | Chia Hsun Hsu | - | - | - | - |

| Title | Name | 2019 | | As of April 13, 2020 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Senior Vice President | Heng Kuang Wang | - | - | - | - |
| Vice President | Bill Lee | 1,765 | - | - | - |
| Vice President | Chia Chen Lee | 1,036 | - | - | - |
| Vice President | Judy Yu | 2,135 | - | - | - |
| Vice President | Yu Yu Ho | (884) | - | - | - |
| Vice President | Kun Feng Li | - | - | - | - |
| Vice President | Wei Cheng Chen | 16 | - | - | - |
| Vice President | Wei Li Chuang | 448 | - | - | - |
| Vice President | Lisa Hsu | 2,428 | - | - | - |
| Vice President | Jane Tsai | 1,318 | - | - | - |
| Vice President | Chun Yen Kuo | 374 | - | - | - |
| Vice President | Kuoh Siung Lin | - | - | - | - |
| Vice President | Wen Feng Tu | - | - | - | - |
| Vice President | Hui Li Tsai | - | - | - | - |
| Vice President | Alen Lin | 1,311 | - | - | - |
| Vice President | Shang Fu Lin | 424 | - | - | - |
| Vice President | Chiang Ming Chen | 1,288 | - | - | - |
| Vice President | Kuang Jung Fan | 776 | - | - | - |
| Vice President | Jui Chen Hsu | - | - | - | - |
| Vice President | Chen I Wang | - | - | - | - |
| Vice President | Pi Yun Peng | - | - | - | - |
| Vice President | Chia Jung Chang | - | - | - | - |
| Vice President | Kuan I Li | - | - | - | - |
| Vice President | Vivian Lee | - | - | - | - |
| Vice President | Wen Hao Shih | - | - | - | - |
| Vice President | Eason Song | - | - | - | - |
| Vice President | Ring Tsai | - | - | - | - |
| Vice President | Rich Liu | - | - | - | - |
| Vice President | Winnie Chiang | 196 | - | - | - |
| Vice President | Yu Shui Chen | - | - | - | - |
| Vice President | Chin Hsing Yeh | - | | - | - |

| Title | Name | 2019 | | As of April 13, 2020 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Vice President | Shin En Shao | - | - | - | - |
| Vice President | I Wen Pao | - | - | - | - |
| Vice President | Tse Pin Liang | - | - | - | - |
| Vice President | Yu Chieh Lin | - | - | - | - |
| Vice President | Kuei Jung Lee | - | - | - | - |
| Vice President | Ke Yao Shen | - | - | - | - |
| Vice President | I Wen Ho | - | - | - | - |
| Vice President | Chia Mei Kuo | - | - | - | - |
| Vice President | Feng Ying Tsai | - | - | - | - |
| Vice President | Shia Hsiung Liu | - | - | - | - |
| Vice President | Wen Wen Tseng | - | - | - | - |
| Deputy Vice President | Jerry H.Chang | - | - | - | - |
| Deputy Vice President | Chun Yu Huang | - | - | - | - |
| Deputy Vice President | Yu Mei Lai | - | - | - | - |
| Deputy Vice President | Chia HsienTseng | - | - | - | - |
| Deputy Vice President | Chih Fan Lin | - | - | - | - |
| Assistant Vice President | Chung En Weng | - | - | - | - |
| Same Related Party | Yi Jiu Investment Corp. | 205,093 | - | - | - |
| Same Related Party | Ta Chu Chemical Fiber Co., Ltd. | 603,681 | - | - | - |
| Same Related Party | An Ho Garment Co.,Ltd. | 570,378 | - | - | - |
| Same Related Party | Bai Yang Investment Corp. | 585,710 | - | - | - |
| Same Related Party | Chin Feng Investment Corp. | 250,285 | - | - | - |
| Same Related Party | K.Y. Lee | 16,833 | - | - | - |
| Same Related Party | Mei Mei Lee | 20 | - | - | - |
| Same Related Party | Chin Hsin Lee | 7 | - | - | - |
| Same Related Party | Ya Li Transportation Corp. | 77,986 | - | - | - |
| Same Related Party | Oriental Securities Corporation | 263,311 | - | - | - |
| Same Related Party | Asia Cement Corp. | 2,036,319 | - | - | - |
| Same Related Party | Asia Investment Corp. | 3,488,993 | - | - | - |
| Same Related Party | Ton Fu Investment Corp. | 758,658 | - | - | - |
| Same Related Party | Peter Hsu | 16,082 | - | - | - |

| Title | Name | 2019 | | As of April 13, 2020 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Same Related Party | Douglas Tong Hsu | 164,719 | - | - | - |
| Same Related Party | Alice Hsu | 16,082 | - | - | - |
| Same Related Party | Nancy Hsu | 16,082 | - | - | - |
| Same Related Party | Connie Hsu | 16,082 | - | - | - |
| Same Related Party | Hui Kang Investment Corp. | 17,239 | - | - | - |
| Same Related Party | Kai Yuan International Investment Co., Ltd. | 2,780,800 | - | - | - |
| Same Related Party | Richard Yang | 19,192 | - | - | - |
| Same Related Party | Frederica Yan | 51,829 | - | - | - |
| Same Related Party | Yu Yuan Investment Co., Ltd. | 4,290,435 | - | - | - |
| Same Related Party | U-Ming Marine Transport Corp. | 2,034,854 | - | - | - |
| Same Related Party | Yue Li Investment Corp. | 3,799,798 | - | - | - |
| Same Related Party | Yue-Tung Investment Corp. | 3,370,899 | - | - | - |
| Same Related Party | Ydt Technology International Co., Ltd. | 75,825 | - | - | - |
| Same Related Party | Tranquil Investment Ltd. | 1,455,129 | - | - | - |
| Same Related Party | Ding Yuan International Investment Corp. | 2,290,530 | - | - | - |
| Same Related Party | Far Eastern New Century Corp. | 2,265,779 | - | - | - |
| Same Related Party | Yuan Faun Co., Ltd. | 120,864 | - | - | - |
| Same Related Party | Yuan Tong Investment Co., Ltd. | 2,775,234 | - | - | - |
| Same Related Party | Yuan Ding Investment Co., Ltd. | 3,082,493 | - | - | - |
| Same Related Party | Yuan Ding Co., Ltd. | 215,622 | - | - | - |
| Same Related Party | Yuan Ding Leasing Corp. | 91,304 | - | - | - |
| Same Related Party | Der Ching Investment Corp. | 3,488,573 | - | - | - |
| Same Related Party | Tranquil Enterprise Ltd. | 154,928 | - | - | - |

* Number of shares owned by the institutional shareholders.

### (2) Shares Trading with Related Parties:

None.

### (3) Shares Pledge with Related Parties:

None.

## 8. Relationship among the Top Ten Shareholders

Unit: share; %

April 13, 2020

| Name | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Percentage | Shares | Percentage | Shares | Percentage | Name | Relationship (Note) | |
| Yu Yuan Investment Co., Ltd. Representative: C.M. Chen | 166,193,662 | 4.95% | - | - | - | - | Yuan Ding Investment Co., Ltd.<br>Yue-Tung Investment Corp. | (1)<br>(2) | - |
| Yue Li Investment Corp. Representative: Tsung-Liang Chang | 147,188,435 | 4.39% | - | - | - | - | Yue-Tung Investment Corp. | (3) | - |
| Asia Investment Corp. Representative: Peter Hsu | 135,149,123 | 4.03% | - | - | - | - | Der Ching Investment Corp. | (2), (3) | - |
| Der Ching Investment Corp. Representative: Peter Hsu | 135,132,864 | 4.03% | - | - | - | - | Asia Investment Corp. | (1), (3) | -- |
| Yue-Tung Investment Corp. Representative: Tsung-Liang Chang | 130,574,666 | 3.89% | - | - | - | - | Yu Yuan Investment Co., Ltd.<br>Yue Li Investment Corp. | (1)<br>(3) | - |
| Yuan Ding Investment Co., Ltd. Representative: Douglas Tong Hsu | 119,403,000 | 3.56% | - | - | - | - | Yu Yuan Investment Co., Ltd. | (2) | -<br>- |
| Kai Yuan International Investment Co., Ltd. Representative: Humphrey Cheng | 107,716,670 | 3.21% | - | - | - | - | - | - | - |
| Yuan Tong Investment Co., Ltd. Representative: David Wang | 107,501,064 | 3.20% | | | | | - | - | - |
| FEIB is Special Account for trust property of Far Eastern International Bank employee in custody of FEIB | 104,067,610 | 3.10% | - | - | - | - | - | - | - |
| Ding Yuan International Investment Corp. Representative: Alan Tsai | 88,725,636 | 2.64% | - | - | - | - | - | - | - |

Note: Relationship code (1): Invested Company assessed by equity method
Relationship code (2): Investors who evaluate the company's investment using the equity method
Relationship code (3): The Chairperson or President of the companies is the same person

## 9. Shareholding in Affiliated Enterprises

Unit: share; %

December 31, 2019

| Affiliated Enterprises (Note 1) | Shareholding by the Company | | Direct or Indirect Shareholding by Directors and Managers | | Total Shareholding | |
|---|---|---|---|---|---|---|
| | share | % | share | % | share | % |
| Far Eastern Asset Management Corp. | 168,400,000 | 100.00% | - | - | 168,400,000 | 100.00% |
| Far Eastern International Securities Company Ltd. | 23,000,000 | 100.00% | - | - | 23,000,000 | 100.00% |
| DWS Far Eastern Investments Limited Global Client Group | 12,000,000 | 40.00% | - | - | 12,000,000 | 40.00% |
| Dah Chung Bills Finance Corp. | 99,407,708 | 22.06% | 32,479 | 0.01% | 99,440,187 | 22.07% |
| Financial Information Service Co.,Ltd. | 5,937,750 | 1.14% | - | - | 5,937,750 | 1.14% |
| Taipei Forex Inc. | 80,000 | 0.40% | - | - | 80,000 | 0.40% |
| Sunny Asset Management Corporation | 207,304 | 3.46% | - | - | 207,304 | 3.46% |
| An Feng Entreprises Co., Ltd. | 300,000 | 10.00% | - | - | 300,000 | 10.00% |
| Yuan Hsin Digital Payment Co.,Ltd | 3,875,919 | 4.99% | | | 3,875,919 | 4.99% |

Note 1: Investments under Bank Articles 74

# IV. Fund Raising Status

## 1. Capital and Shares

### (1) Sources of Capital

#### A. Issued Shares

Unit: share, NT$ million

April 13,2020

| Month/ Year | Issuing price (NTD) | Authorized Capital | | Paid-in Capital | | Remarks | |
|---|---|---|---|---|---|---|---|
| | | Shares | Amount | Shares | Amount | Source | Others |
| Founded in 1992 | 10 | 1,000,000,000 | 10,000 | 1,000,000,000 | 10,000 | Public offering | Tai-Tsai-Rong-No.801625101(Aug.1, 1991) |
| Oct 1995 | 10 | 25,000,000 | 250 | 25,000,000 | 250 | Retained earnings | (84)Tai-Tsai-Cheng(1) No.49420(Sep.4, 1995) |
| Jul 1997 | 10 | 29,750,000 | 297 | 28,700,000<br>1,050,000 | 287<br>10 | Retained earnings<br>Employee bonus | (85)Tai-Tsai-Cheng(1) No.41665 (Jul.06, 1996) |
| Aug 1997 | 15<br>10 | 135,250,000 | 1,353 | 99,170,000<br>34,806,750<br>1,273,250 | 992<br>348<br>13 | Rights offering<br>Retained earnings<br>Employee bonus | (86)Tai-Tsai-Cheng(1) No.53095(Jul.25,1997) (86)Tai-Tsai-Cheng(1) No. 60585(Jul.30,1997) |
| Aug 1998 | 12.5<br>10<br>10<br>10 | 211,023,500 | 2,110 | 150,000,000<br>41,650,000<br>1,523,500<br>17,850,000 | 1,500<br>416<br>15<br>179 | Rights offering<br>Retained earnings<br>Employee bonus<br>Capital reserve | (87)Tai-Tsai-Cheng(1) No.59533(Jul.21,1998) |
| Jul 1999 | 10 | 78,696,500 | 787 | 44,832,752<br>1,640,208<br>26,619,446<br>5,604,094 | 448<br>17<br>266<br>56 | Retained earnings<br>Employee bonus<br>Capital reserve<br>Special reserve | (88)Tai-Tsai-Cheng(1) No.57434(Jun.23,1999) |
| Jul 2000 | 10<br>10<br>10 | 45,095,400 | 451 | 19,236,360<br>703,800<br>22,195,800<br>2,959,440 | 192<br>7<br>222<br>30 | Retained earnings<br>Employee bonus<br>Capital reserve<br>Special reserve | (89)Tai-Tsai-Cheng(1) No.56443 (Jun.30, 2000) |
| Jul 2003 | 10 | 475,184,600 | 4,752 | | | New authorized capital | Jing-Shou-Shang Tze No. 09201231510(Jul 28, 2003) |
| Aug 2004 | 10<br>10 | | | 10,407,594<br>(26,579,000) | 104<br>（266） | ECB Conversion<br>Treasury stock cancellation | Jing-Shou-Shang Tze No. 09301158130(Aug 23, 2004) |
| Mar 2005 | 10 | | | 78,056,834 | 781 | ECB Conversion | Jing-Shou-Shang Tze No. 09401042910(Mar 29, 2005) |
| Jun 2005 | 10 | | | 47,914,226 | 479 | ECB Conversion | Jing-Shou-Shang Tze No. 09401103960(Jun 14, 2005) |
| Jul 2005 | 10 | | | 102,854,595<br>6,707,909 | 1,029<br>67 | Retained earnings<br>Employee bonus | Jin-Kuan-Cheng(1)No.0940122142 (Jun. 9, 2005) |
| Aug 2005 | 10 | | | 4,958,329 | 50 | ECB Conversion | Jing-Shou-Shang Tze No. 09401173340(Sep 13, 2005) |
| Nov 2005 | 10 | | | 37,038,723 | 370 | ECB Conversion | Jing-Shou-Shang Tze No. 09401226730(Nov 14, 2005) |
| Mar 2006 | 10 | | | 5,075,280 | 51 | ECB Conversion | Jing-Shou-Shang Tze No. 09501068660(Apr 14, 2006) |

| Month/ Year | Issuing price (NTD) | Authorized Capital | | Paid-in Capital | | Remarks | |
|---|---|---|---|---|---|---|---|
| | | Shares | Amount | Shares | Amount | Source | Others |
| Sep 2006 | 10 | | | 64,094,041<br>4,180,047<br>18,312,584 | 641<br>42<br>183 | Retained earnings<br>Employee bonus<br>Capital reserve | Jin-Kuan-Cheng(1)No.0950132205 (Jul. 31, 2006) |
| Mar 2007 | 10 | | | 215,969 | 2 | ECB Conversion | Jing-Shou-Shang Tze No. 09601073730(Apr 13, 2007) |
| Jun 2007 | 10 | 500,000,000 | 5,000 | | | New authorized capital | Jing-Shou-Shang Tze No. 09601152250(Jul 4, 2007) |
| Jun 2007 | 10 | | | 647,907 | 6 | ECB Conversion | Jing-Shou-Shang Tze No. 09601152250(Jul 19, 2007) |
| Dec 2007 | 10 | | | 1,079,849 | 11 | ECB Conversion | Jing-Shou-Shang Tze No. 09601322290(Jan 4, 2008) |
| Jun 2008 | 10 | 1,000,000,000 | 10,000 | | | New authorized capital | Jing-Shou-Shang Tze No. 09701146020(Jun 27, 2008) |
| Dec 2008 | 6.5 (Note) | | | 461,538,000 | 4,615 | Rights offering | Jing-Shou-Shang Tze No. 09801009420(Jan 17, 2009) |
| Jun 2009 | 10 | 1,000,000,000 | 10,000 | | | New authorized capital | Jing-Shou-Shang Tze No. 09801132000(Jun 26, 2009) |
| Jun 2009 | 10 | | | (407,520,824) | (4,075) | Capital Deduction | Jin-Kuan-Cheng No.0980031255 (Jun. 30, 2009) |
| Jul 2010 | 10 | | | 67,489,532<br>5,861,971 | 675<br>59 | Retained earnings<br>Employee bonus | Jin-Kuan-Cheng No.0990038736 (Jul. 30, 2010) |
| Jul 2011 | 10 | | | 103,368,172<br>8,043,315 | 1,034<br>80 | Retained earnings<br>Employee bonus | Jin-Kuan-Cheng No.1000033885 (Jul. 27, 2011) |
| Aug 2012 | 10 | | | 113,131,129<br>10,568,089 | 1,131<br>106 | Retained earnings<br>Employee bonus | Jin-Kuan-Cheng No.1010036357 (Aug. 24, 2012) |
| Jul 2013 | 10 | | | 110,543,402<br>9,315,191 | 1,105<br>93 | Retained earnings<br>Employee bonus | Jin-Kuan-Cheng No.1020028949 (Jul. 31, 2013) |
| Jan 2014 | 11.25 | | | 365,000,000 | 3,650 | Rights offering | Jin-Kuan-Cheng No.1020046424 (Nov. 26, 2013)<br>Jin-Kuan-Cheng No.1030002514 (Jan. 23, 2014) |
| Jul 2014 | 10 | | | 122,447,610<br>12,260,455 | 1,224<br>123 | Retained earnings<br>Employee bonus | Jin-Kuan-Cheng No.1030026505 (Jul. 18, 2014) |
| Aug 2015 | 10 | | | 153,680,074<br>17,736,559 | 1,537<br>177 | Retained earnings<br>Employee bonus | Jin-Kuan-Cheng No.1040026417(Aug. 3, 2015) |
| Sep 2016 | 10 | | | 60,664,859<br>17,459,348 | 607<br>175 | Retained earnings<br>Employee bonus | Jing-Shou-Shang Tze No. 10501227730(Sep 22, 2016) |
| Sep 2017 | 10 | | | 71,561,445 | 716 | Retained earnings | Jing-Shou-Shang Tze No. 10601133330(Sep 18, 2017) |
| Sep 2018 | 10 | | | 86,257,365 | 863 | Retained earnings | Jing-Shou-Shang Tze No. 10701121570(Sep 19, 2018) |
| Sep 2019 | 10 | | | 86,633,428 | 866 | Retained earnings | Jing-Shou-Shang Tze No. 10801129280(Sep 20, 2019) |
| Total | | 4,500,000,000 | 45,000 | 3,355,819,407 | 33,558 | | |

Note: The price was NT$6.5 per share in private placement.

B. Authorized Capital

April 13, 2020

| Share Type | Authorized Capital | | | Remarks |
|---|---|---|---|---|
| | Outstanding | Unissued | Total | |
| Common Shares | 3,355,819,407 Shares | 1,144,180,593 Shares | 4,500,000,000 Shares | Listed shares |

## (2) Shareholder Structure

April 13, 2020

| Shareholder Structure / Quantity | Government Agencies | Financial Institutions | Other Juridical Persons | Individuals | Foreign Institutions and Foreigners | Total |
|---|---|---|---|---|---|---|
| Accounts | 4 | 19 | 219 | 80,218 | 219 | 80,679 |
| Shares | 12,990,286 | 133,317,279 | 1,704,949,952 | 1,091,217,854 | 413,344,036 | 3,355,819,407 |
| Percentage | 0.39% | 3.97% | 50.81% | 32.51% | 12.32% | 100.00% |

## (3) Shares Distribution Status

A. Common Shares

Per Value: NT$10 April 13, 2020

| Shareholding Segment (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|---|---|---|---|
| 1 ~ 999 | 28,715 | 7,837,607 | 0.23% |
| 1,000 ~ 5,000 | 25,968 | 57,987,069 | 1.73% |
| 5,001 ~ 10,000 | 8,395 | 60,051,468 | 1.79% |
| 10,001 ~ 15,000 | 5,103 | 62,223,277 | 1.85% |
| 15,001 ~ 20,000 | 3,339 | 58,304,282 | 1.74% |
| 20,001 ~ 30,000 | 2,918 | 71,107,668 | 2.12% |
| 30,001 ~ 50,000 | 2,336 | 88,974,811 | 2.65% |
| 50,001 ~ 100,000 | 1,882 | 130,057,974 | 3.88% |
| 100,001 ~ 200,000 | 1,107 | 150,403,756 | 4.48% |
| 200,001 ~ 400,000 | 483 | 131,864,809 | 3.93% |
| 400,001 ~ 600,000 | 150 | 72,518,377 | 2.16% |
| 600,001 ~ 800,000 | 76 | 51,721,952 | 1.54% |
| 800,001 ~ 1,000,000 | 38 | 34,078,512 | 1.02% |
| 1,000,001 or over | 169 | 2,378,687,845 | 70.88% |
| Total | 80,679 | 3,355,819,407 | 100.00% |

B. Preferred Shares: None.

## (4) List of Major Shareholders

Unit: shares April 13, 2020

| Shareholder's Name \ Shareholding | Number of Shares | Percentage |
|---|---|---|
| Yu Yuan Investment Co., Ltd. | 166,193,662 | 4.95% |
| Yue Li Investment Corp. | 147,188,435 | 4.39% |
| Asia Investment Corp. | 135,149,123 | 4.03% |
| Der Ching Investment Corp. | 135,132,864 | 4.03% |
| Yue-Tung Investment Corp. | 130,574,666 | 3.89% |
| Yuan Ding Investment Co., Ltd. | 119,403,000 | 3.56% |
| Kai Yuan International Investment Co., Ltd. | 107,716,670 | 3.21% |
| Yuan Tong Investment Co., Ltd. | 107,501,064 | 3.20% |
| Special Account for trust property of Far Eastern International Bank employee in custody of FEIB | 104,067,610 | 3.10% |
| Ding Yuan International Investment Corp. | 88,725,636 | 2.64% |

Note: Listed above are the Bank's top ten shareholders.

## (5) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$

| Item \ Year | | | 2018 | 2019 | As of April 13, 2020 |
|---|---|---|---|---|---|
| Market Price Per Share | Highest | | 11.30 | 12.80 | 12.25 |
| | Lowest | | 9.26 | 9.93 | 8.61 |
| | Average (Note2) | | 10.23 | 11.74 | 10.88 |
| Net Worth Per Share | Before Distribution | | 13.69 | 14.09 | 14.15(Note6) |
| | After Distribution | | 12.90 | (Note1) | (Note1) |
| Earnings Per Share | Weighted Average Shares (Thousand Shares) | | 3,269,186 | 3,355,819 | 3,355,819 (Note6) |
| | Earnings Per Share | Original | 1.08 | 1.08 | 0.11(Note6) |
| | | Adjusted | 1.05 | (Note1) | (Note1) |
| Dividends Per Share | Cash Dividends | | 0.450 | 0.468 (Note 1) | - |
| | Stock Dividends | Dividends from Retained Earning | 0.265 | 0.275 (Note1) | - |
| | | Dividends from Capital Reserve | - | - | - |
| | Accumulated Undistributed Dividends | | - | - | - |
| Return on Investment | Price/ Earnings Ratio(Note3) | | 9.32 | 10.84 | - |
| | Price/ Dividend Ratio(Note4) | | 22.38 | 25.02 | - |
| | Cash Dividend Yield Ratio (%) (Note5) | | 4.47 | 4.00 | - |

Note1: The cash dividend of NT$0.468 per share and the stock dividend of NT$0.275 per share were proposed at the board of directors in March 23, 2020, but the actual allocation will be resolved by the shareholders' meeting in 2020.

Note2: The average market price calculated by taking into account each year's market turnover value and amount.

Note3: Price / Earnings ratio = Average Market Price / Earnings per Share.

Note4: Price / Dividend ratio = Average Market Price / Cash dividends per Share.

Note5: Cash Dividend Yield Rate = Cash Dividend per Share / Average Market Price. The average market prices were NT$10.07 and NT$11.71 in 2018 and 2019, respectively.

Note6: They were calculated based on the Bank's March 31, 2020 preliminary financial reports.

## (6) Dividend Policy and Implementation Status

### A. Dividend Policy

In case of surplus after settlement of accounts for each fiscal year, the Bank shall recover all the losses incurred in the previous years, if any, before setting aside a legal reserve of 30% of the net profit and appropriating, according to law and regulations, a special reserve shall be retained, and shall first be distributed to the dividends of Preferred Stock. The remaining amount together with the accumulated retained profits of the last year and the reversals of special reserves are available for distribution as dividends for Common Stock. The dividends for Common Stock shall be distributed at least 30% of the remaining amount. The Board of Directors shall prepare the earnings distribution in accordance with the existing circumstances at the time, taking into account the future development plan of the Bank. Any allocation of cash dividend shall, in principle, be no less than 10% of the total dividends to be distributed that year.

Before the above-mentioned legal reserve reaches the amount of total paid-in capital, the maximum appropriation of cash dividends shall not exceed 15% of the total paid-in capital.

### B. Proposed Distribution of Dividend

The cash dividend of NT$0.468 per share, and the stock dividend of NT$0.275 per share (27.5 shares for every thousand shares). Combined, the Bank was to pay out NT$ 0.743 per common share in dividends.

## (7) Impact of Stock Dividends Distribution on Operating Results, Earnings per Share and Shareholders' Return on Investment:

Unit: NT$ Thousands

| Item \ Year | | | Year2020 (Forecast) |
|---|---|---|---|
| Beginning Paid-In Capital | | | 33,558,193 |
| Dividends distribution | Cash Dividend per share（NT$） | | 0.4680(Note1) |
| | Capitalization of Retained Earnings Stock Dividend per share（Share） | | 0.0275(Note1) |
| | Stock dividends per share, from capital surplus (number of shares) | | - (Note1) |
| Changes in business results | Operating Profit | | Not Applicable (Note2) |
| | Increase (decrease) % of operating. profit from last year | | |
| | Net income | | |
| | Increase (decrease)% of net income from last year | | |
| | Earnings per share (EPS) (with retroactive adjustment) | | |
| | Increase (decrease) % of EPS from last year | | |
| | Annually averaged return on investment % (reverse of annually averaged price-earnings (P/E) ratio) | | |
| Pro forma Earnings per Share and P/E Ratio | If stock dividends from earning is paid fully by cash dividends | Pro forma earnings per share (EPS) | |
| | | Pro forma annually averaged return on investment | |
| | If no stock dividends from capital surplus | Pro forma earnings per share (EPS) | |
| | | Pro forma annually averaged return on investment | |
| | If no stock dividends from capital surplus and from earnings are paid fully by cash dividends | Pro forma earnings per share (EPS) | |
| | | Pro forma annually averaged return on investment | |

Note1：The cash dividend of NT$0.468 per share and the stock dividend of NT$0.275 per share were proposed at the board of directors in March 23, 2020, but the actual allocation will be resolved by the shareholders' meeting in 2020.

Note2: The Bank did not publish the financial forecasts for FY2020, so it does not require disclosure of this information.

## (8) Compensation of Employees and Directors

A. Percentage or scope of employees' compensation, remuneration of directors and supervisors in the Articles of Incorporation:

If there be net income before income tax, remuneration of directors and employees' compensation, the Bank should retain an employees' compensation of 3.5%-4.5% and a remuneration of directors no greater than 1.5%. Should there be accumulated loss, the Bank shall retain earnings to cover the loss in advance.

Employees' compensation may be distributed in the form of stocks or in cash. The amount distributable as employees' compensation and remuneration of directors shall be decided by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors; and in addition there to a report of such distribution shall be submitted to the shareholders' meeting.

B. In the event current bases of estimation for employees' compensation and remuneration of directors, share number calculation bases for allotment of stock compensation and actual allotted amounts are at variance with estimated amounts:

The estimated amount for employees' compensation and remuneration of directors in this period is based on the net income before income tax and the Bank's Articles of Incorporation. If there is a change in the amounts after the financial statements for the year ended were authorized for issue, the differences are recorded as a change in the accounting estimate.

C. Board of directors approved proposals for the allocation of employees' compensation and remuneration of directors:

❶ Allocation of employee cash compensation, employee stock compensation, and the amount for remuneration of directors:

Employee cash compensation is NT$ 162,611,000, employee stock compensation is zero per share and the amount for remuneration of directors is NT$ 54,204,000. There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended.

❷ The ratio of the employees' stock compensation to the net income after income tax in the non-consolidated financial report for the current period and the total amount of employees' compensation: Not Applicable

D. Actual allocations of employee compensation and remuneration of directors paid for the preceding fiscal year:

❶ Employee cash compensation is NT$ 152,444,000, employee stock compensation is zero per share and the amount for remuneration of directors is NT$ 50,814,000 for the year ended December 31, 2018.

❷ There was no difference between the actual amounts of employees' compensation and remuneration of directors paid.

## (9) Buyback of Treasury Stock:

2019: None.

As of Apr 13, 2020: None.

## 2. Issuance of bank debenture

To maintain capital adequacy ratio and the medium-term to long-term working capital, the Bank had applied and obtained approval from the Financial Supervisory Commission to issue bank debentures. The outstanding balances of bank debentures as of December 31, 2019 are summarized as follows:

Issuance of bank debenture

| Types of bank debentures | 1st subordinated bank debenture in 2013 | 1st subordinated bank debenture in 2014 |
|---|---|---|
| Date and serial No. approved by authority | FSC No. 10200123360, May 8, 2013 | FSC No. 10300105790, April 23, 2014 |
| Issuing date | November 6, 2013 | December 23, 2014 |
| Face value | NT$ 10 million | NT$ 10 million |
| Issuing and trading | ROC | ROC |
| Currency | New Taiwan dollar | New Taiwan dollar |
| Issuing price | At par value | At par value |
| Total amount | NT$4.0 billion | NT$1.1 billion |
| Coupon | Fixed interest rate at 2.10% per annum | Fixed interest rate at 2.05% per annum |
| Maturity | 7 years from the issue date. Maturity on November 6, 2020 | 7 years from the issue date. Maturity on December 23, 2021 |
| Rank | Subordinated | Subordinated |
| Guarantor | None | None |
| Trustee | None | None |
| Underwriter | Master Link, Yuanta and Capital securities | KGI, Master Link and Capital securities |
| Certified lawyer | None | None |
| Certified CPA | Deloitte & Touche | Deloitte & Touche |
| Certified financial institution | None | None |
| Repayment | By self-owned capital or refinancing bank debentures | By self-owned capital or refinancing bank debentures |
| Outstanding balance | NT$ 4.0 billion | NT$ 1.1 billion |
| Paid-in capital in the previous year | NT$22,422,596 (thousand) | NT$23,621,182 (thousand) |
| Net book value on the date of balance sheet in the previous fiscal year | NT$26,085,624 (thousand) | NT$32,347,065 (thousand) |
| Default status | Normal | Normal |
| The terms and conditions for redemption or early liquidation | None | None |
| Conditions for conversion or exchange | None | None |
| Restrictive terms | None | None |
| Use of proceeds | To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments. | To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments. |
| The total amount of the issuance and outstanding bonds in the percentage of the book value of previous year (%) | 104.78 | 78.62 |
| Eligible capital and type | Tier II | Tier II |
| Name of rating agency, issue date, and the rating | "BBB+(twn)" issued by Fitch Ratings, Taiwan Branch on November 6, 2013. | "BBB+(twn)" issued by Fitch Ratings, Taiwan Branch on December 23, 2014. |

## Issuance of bank debenture

| Types of bank debentures | 1st subordinated bank debenture in 2015 | 1st subordinated bank debenture in 2016 |
|---|---|---|
| Date and serial No. approved by authority | FSC No. 10400126510, June 5, 2015 | FSC No. 10500130430, June 3, 2016 |
| Issuing date | September 30, 2015 | September 27, 2016 |
| Face value | NT$ 10 million | NT$ 10 million |
| Issuing and trading | ROC | ROC |
| Currency | New Taiwan dollar | New Taiwan dollar |
| Issuing price | At par value | At par value |
| Total amount | NT$3.0 billion | NT$4.0 billion |
| Coupon | Fixed interest rate at 1.95% per annum | Fixed interest rate at 1.55% per annum |
| Maturity | 7 years from the issue date. Maturity on September 30, 2022 | 7 years from the issue date. Maturity on September 27, 2023 |
| Rank | Subordinated | Subordinated |
| Guarantor | None | None |
| Trustee | None | None |
| Underwriter | Master Link, Yuanta, GKI, SinoPac and Taiwan Cooperative securities | Master Link, Yuanta, GKI and Taiwan Cooperative securities |
| Certified lawyer | None | None |
| Certified CPA | Deloitte & Touche | Deloitte & Touche |
| Certified financial institution | None | None |
| Repayment | By self-owned capital or refinancing bank debentures | By self-owned capital or refinancing bank debentures |
| Outstanding balance | NT$ 3.0 billion | NT$ 4.0 billion |
| Paid-in capital in the previous year | NT$28,618,263(thousand) | NT$30,332,430(thousand) |
| Net book value on the date of balance sheet in the previous fiscal year | NT$35,118,001(thousand) | NT$37,764,349 (thousand) |
| Default status | Normal | Normal |
| The terms and conditions for redemption or early liquidation | None | None |
| Conditions for conversion or exchange | None | None |
| Restrictive terms | None | None |
| Use of proceeds | To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments. | To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments. |
| The total amount of the issuance and outstanding bonds in the percentage of the book value of previous year (%) | 57.52 | 64.09 |
| Eligible capital and type | Tier II | Tier II |
| Name of rating agency, issue date, and the rating | "A(twn)" issued by Fitch Ratings, Taiwan Branch on September 30, 2014. | "A(twn)" issued by Fitch Ratings, Taiwan Branch on September 25, 2015. |

Issuance of bank debenture

| Types of bank debentures | 1st perpetual non-cumulative unsecured subordinated debenture in 2018 | 1st senior unsecured financial debenture in 2019 |
|---|---|---|
| Date and serial No. approved by authority | FSC No. 10702142020, July 20, 2018 | FSC No. 10701213730, December 19, 2018 |
| Issuing date | September 18, 2018 | February 21, 2019 |
| Face value | NT$ 10 million | NT$ 2.5 million |
| Issuing and trading | ROC | ROC |
| Currency | New Taiwan dollar | New Taiwan dollar |
| Issuing price | At par value | At par value |
| Total amount | NT$2.9 billion | NT$2.5 billion |
| Coupon | Fixed interest rate at 3.2% per annum | Fixed interest rate at 0.95% per annum |
| Maturity | Prepetural (issuer with call right) | 5 years from the issue date. Maturity on February 21, 2024 |
| Rank | Senior to the right on distribution of remaining property for shareholders, and junior to those for holders of Tier II capital instruments, depositors and other general creditors to the Bank. | Senior bond |
| Guarantor | None | None |
| Trustee | None | None |
| Underwriter | KGI and Master Link securities | Master Link, Taiwan Cooperative, KGI, Yuanta and JihSun securities |
| Certified lawyer | None | None |
| Certified CPA | Deloitte & Touche | Deloitte & Touche |
| Certified financial institution | None | None |
| Repayment | By self-owned capital or refinancing bank debentures | By self-owned capital or refinancing bank debentures |
| Outstanding balance | NT$ 2.9 billion | NT$ 2.5 billion |
| Paid-in capital in the previous year | NT$31,829,286 (thousand) | NT$32,691,859 (thousand) |
| Net book value on the date of balance sheet in the previous fiscal year | NT$41,389,366 (thousand) | NT$41,389,366 (thousand) |
| Default status | Normal | Normal |
| The terms and conditions for redemption or early liquidation | FEIB may redeem the debts in whole at their aggregate principal amount, together with any interest payment five years after the issuing date subject to regulators' approval, provided that the bank's post-redemption BIS is above legal requirement. | None |

| Types of bank debentures | 1st perpetual non-cumulative unsecured subordinated debenture in 2018 | 1st senior unsecured financial debenture in 2019 |
|---|---|---|
| Conditions for conversion or exchange | None | None |
| Restrictive terms | The bank may not pay interest if there is no earnings and dividends in previous year (including cash and stock dividends); however, this restriction does not apply in circumstances where the balance of cumulative undistributed earnings less amortized losses on sale of non-performing loans is greater than the amount of payable interest, and provided that the payment results in no changes to the terms of interest. Non- payment of interest due to the above will not be accumulated or deferred in later periods.<br>The bank shall defer interest and principal payments in situations where its capital adequacy ratio fails to meet the minimum level specified in Article 5, Paragraph 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks; in which case, deferred interest may not accrue any late interest. | None |
| Use of proceeds | To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments. | To finance the Bank's long term funding needs for support of future growth of loans and investments. |
| The total amount of the issuance and outstanding bonds in the percentage of the book value of previous year (%) | 43.49 | 49.52 |
| Eligible capital and type | Tier I | None |
| Name of rating agency, issue date, and the rating | "A(twn)" issued by Fitch Ratings, Taiwan Branch on July 2, 2018. | "A(twn)" issued by Fitch Ratings, Taiwan Branch on July 2, 2018. |

Issuance of bank debenture

| Types of bank debentures | 2st subordinated bank debenture (A tranch) in 2019 | 2st subordinated bank debenture (B tranch) in 2019 |
|---|---|---|
| Date and serial No. approved by authority | FSC No. 10701213730, December 19, 2018 | FSC No. 10701213730, December 19, 2018 |
| Issuing date | July 30, 2019 | July 30, 2019 |
| Face value | NT$ 10 million | NT$ 10 million |
| Issuing and trading | ROC | ROC |
| Currency | New Taiwan dollar | New Taiwan dollar |
| Issuing price | At par value | At par value |
| Total amount | NT$ 2 billion | NT$ 2 billion |
| Coupon | Fixed interest rate at 1.15% per annum | Fixed interest rate at 1.25% per annum |
| Maturity | 7 years from the issue date. Maturity on July 30, 2026 | 5 years from the issue date. Maturity on July 30, 2029 |
| Rank | Subordinated | Subordinated |
| Guarantor | None | None |
| Trustee | None | None |
| Underwriter | Yuanta, KGI, Cathay and Capital securities | Yuanta, KGI, Master Link and Capital securities |
| Certified lawyer | None | None |
| Certified CPA | Deloitte & Touche | Deloitte & Touche |
| Certified financial institution | None | None |
| Repayment | By self-owned capital or refinancing bank debentures | By self-owned capital or refinancing bank debentures |
| Outstanding balance | NT$ 2 billion | NT$ 2 billion |
| Paid-in capital in the previous year | NT$32,691,859 (thousand) | NT$32,691,859 (thousand) |
| Net book value on the date of balance sheet in the previous fiscal year | NT$43,273,606 (thousand) | NT$43,273,606 (thousand) |
| Default status | Normal | Normal |
| The terms and conditions for redemption or early liquidation | None | None |
| Conditions for conversion or exchange | None | None |
| Restrictive terms | None | None |
| Use of proceeds | To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments. | To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments. |
| The total amount of the issuance and outstanding bonds in the percentage of the book value of previous year (%) | 45.06 | 49.68 |
| Eligible capital and type | Tier II | Tier II |
| Name of rating agency, issue date, and the rating | "A+(twn)" issued by Fitch Ratings, Taiwan Branch on May 24, 2019. | "A+(twn)" issued by Fitch Ratings, Taiwan Branch on May 24, 2019. |

Issuance of bank debenture

| Types of bank debentures | 3st senior unsecured financial debenture in 2019 |
|---|---|
| Date and serial No. approved by authority | FSC No. 10701213730, December 19, 2018 |
| Issuing date | September 26, 2019 |
| Face value | NT$ 3.5 million |
| Issuing and trading | ROC |
| Currency | New Taiwan dollar |
| Issuing price | At par value |
| Total amount | NT$3.5 billion |
| Coupon | Fixed interest rate at 0.75% per annum |
| Maturity | 5 years from the issue date. Maturity on September 26, 2024 |
| Rank | Senior bond |
| Guarantor | None |
| Trustee | None |
| Underwriter | Master Link securities |
| Certified lawyer | None |
| Certified CPA | Deloitte & Touche |
| Certified financial institution | None |
| Repayment | By self-owned capital or refinancing bank debentures |
| Outstanding balance | NT$ 3.5 billion |
| Paid-in capital in the previous year | NT$32,691,859 (thousand) |
| Net book value on the date of balance sheet in the previous fiscal year | NT$43,273,606 (thousand) |
| Default status | Normal |
| The terms and conditions for redemption or early liquidation | None |
| Conditions for conversion or exchange | None |
| Restrictive terms | None |
| Use of proceeds | To finance the Bank's long term funding needs for support of future growth of loans and investments. |
| The total amount of the issuance and outstanding bonds in the percentage of the book value of previous year (%) | 57.77 |
| Eligible capital and type | None |
| Name of rating agency, issue date, and the rating | "A+(twn)" issued by Fitch Ratings, Taiwan Branch on May 24, 2019. |

## 3. Issuance of Preferred Stock

None.

## 4. Issuance of Global Depository Receipt

| Item \ Date of Issue | | | Jan. 28, 2014 |
|---|---|---|---|
| Date of Issue | | | Jan. 28, 2014 |
| Issuance and Listing | | | Luxembourg Stock Exchange |
| Total Amount | | | US$135,050,000 |
| Issue Price per GDR | | | US$7.4 |
| Total units issued | | | 1. The original issue of 18,250,000 units.<br>2. The total number of depositary receipts was 18,398,148 units as of April 13, 2020.. |
| Type of underlying securities | | | The Bank's newly issued common shares |
| Amount of underlying securities | | | 367,962,995 shares |
| Rights and obligations of subscribers | | | Same as common share holders |
| Trustee | | | None |
| Depositary Bank | | | Citibank N.A. |
| Custodian Bank | | | Citibank Taiwan |
| Number of outstanding units | | | 324,617 units(As of April 13, 2020) |
| Bearers of related charges incurred during issuance and holding period | | | Shall be borne by the Bank |
| Key Provision in Deposit/Custodian Agreements | | | None |
| Market Price per unit | 2019 | Highest | US$8.050 |
| | | Lowest | US$6.283 |
| | | Average | US$7.442 |
| | As of April 13, 2020 | Highest | US$8.150 |
| | | Lowest | US$5.750 |
| | | Average | US$7.485 |

## 5. Issuance of Employee Stock Options

None.

## 6. Issuance of New Restricted Shares to Employee

None.

## 7. Mergers and Acquisitions

(1) Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio

Not applicable.

(2) Mergers & Acquisitions or Receiving of Other Financial Institutions in the past five years

None.

(3) Where a financial institution was merged or acquired by way of new share issuance, the lead underwriter's evaluation and opinions must be disclosed

Not applicable.

(4) In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other financial institutions in which the Board of Directors has approved such M&A or sale that involves the issuance of new shares:

Not applicable.

## 8. The Execution of Fund Utilization Plan

(1) Contents of the plan

The Bank issued bank debentures to obtain long term funding, and to enhance the Bank's capital structure for future growth of loans and investments.

(2) Implementation description

| Subject | Use of proceeds | The condition of execution | The comparison of the results with the desired-results | The date of the material information announced in MOPS (note) |
|---|---|---|---|---|
| The Board approved the issuing plan of subordinated debentures up to NT$ 4 billion and senior unsecured financial debentures up to NT$ 6 billion(or the equivalent in other currencies). | To finance the Bank's long term funding needs and enhance the Bank's capital structure. | 1. The issue of senior unsecured financial debenture NT$2.5 billion on February 21, 2019.<br>2. The issue of subordinated bank debenture NT$4 billion on July 30, 2019.<br>3. The issue of senior unsecured financial debentures NT$3.5 billion on September 26, 2019. | The outcome achieved the desired results. | November 2, 2018 |

Note: Posted per board resolution

# V. Operation Highlights

## 1. Business Activities

### (1) Business Scope

A. Core-business

(a) Retail Banking

- Wealth Management：In accordance with market trends, consider the dispersion of asset allocation, select diversified financial products and offer preferential interest deposits. Provide customers with appropriate assets base on their risk-attributes to improve product penetration and expand the wealth management assets.
- Consumer Banking and Credit Cards Business: take the responsible of mortgage, personal loan, car loan, consumer finance (installment) and credit cards, business including product planning, marketing, sales, and management and customer services.
- Insurance Agency: Select high-quality insurance companies to promote Bancassurance business collaborations, training and support colleagues' insurance professionalism. Create high-quality Bancassurance products and services in accordance with customers' diversification and fragmentation to provide the most comprehensive financial planning and services.

(b) Corporate Banking：Corporate banking businesses are driven to satisfy corporate customers' demands on integrated financial solutions such as corporate deposits, loans, FOREX businesses (foreign exchange, import and export), factoring, e-financing, supply-chain financing, hedging and structured products, etc. crossing various industries in Greater China as well as Asia region.

(c) Financial Market：Financial Trading business covers fixed income, foreign exchange, equity, credit and derivatives. Focus on the financial institutions to provide solutions with financing, TMU transaction, automatic clearing house, etc. Execute TWD and foreign currencies funding and asset management policies of the Asset and Liability Management Committee ("ALCO"), including asset/liability, liquidity risk and interest rate sensitivity risk management.

(d) Digital Banking： With a forward-looking vision and a pragmatic pace, Far Eastern International Bank promotes the digital transformation of our business and uses fintech and innovative concepts to develop new business models. We evolve the concept of BaaP (bank as a platform), which modularizes financial services (Open Banking), and cooperates with start-up companies to establish a diversified and open financial department stores. Far Eastern International Bank also improves the efficiency of internal processes, continues to optimize the Bank's corporate / personal digital platform to provide services that meet customers' needs, and enhances bank competitiveness.

B. Weightings to Net Revenue and Changes YOY of the Respective Business Units

| BU | Weightings to Net Revenue | | Growth Rate (YoY) |
|---|---|---|---|
| | 2019 | 2018 | |
| Individual Banking | 21% | 22% | 6% |
| Consumer Banking | 24% | 25% | 2% |
| Credit Cards | 11% | 12% | 0.2% |
| Insurance Agency | 1% | 1% | -4% |
| Corporate Banking | 26% | 27% | 4% |
| Financial Market | 17% | 13% | 43% |

## (2) Business Plan for 2019

A. Retail Banking

(a) Customer-Relationship Management: Collaborate with FEIB affiliates to offer privilege schemes for VIPs. Achieve strategic goals of integrating with affiliates and sharing clients' resources to consolidate the loyalty and contribution of high-end customers. Continue to work with Yuan Ze University to introduce different courses for seniors and maintain the relationships with retired groups.

(b) Trust business: In the global wave of anti-tax avoidance, the "Ministry of Finance has promulgated the Due Diligence and Common Reporting Standard (CRS) for Financial Institutions, and the regulations on Management, Utilization, and Taxation of Repatriated Offshore Funds Act for Taiwanese Businessman". FEIB is allied with accounting firms and solicitor offices', and works with cross-scope experts to address tools of corporation succession, operations and asset inheritance issues to provide tailor-made of family trust services in the funds repatriation and asset inheritance for Taiwanese enterprisers.

(c) Mortgage Loan: Continuous development of High Yield mortgage products, creating the basis for diversified business operations; Further cultivating branch clients for overall synergy; Continuous integration of online and off-line channels with an optimized user experience for strengthening

(d) Personal Loan: Continuous segmenting and matching of risk level groups for precise clients targeting of both high and low risk levels; Enhanced digital capabilities to promote sales ratio contributed by E-channel; Optimized SOP of physical sales channel for improved efficiency.

(e) Consumer Finance (Installment): Strengthen the cooperation with the existing strategic alliances and expand the Account Receivable product to boost business volume. Enhance E&M platform to modernize the application process and service.

(f) Car Loan and Motorcycle Loan: Upgrade the operating process to strengthen banks' competitiveness. Balance business volume and profitability to pursue steady business growth.

(g) Credit Card: Focus on Happy Go credit card. Leverage FE Group's cross-industry advantages to ally with department stores, discount stores, telecom, online shopping, hotels, and other retail channels. Intensify the brand image of FE Happy Go credit card as FE Group card. Diversify the service for e-Tag payment with FE credit cards to penetrate the commuter group. Introduce original marketing campaigns with FE Group's strategies to serve the existing customers.

Target on big-ticket size spending, such as department stores, insurance, travel, and overseas consumption. Work with credit card authorized stores to launch hire purchase as to boost spending volume and fee revenue. FE Group synergy is leveraged to enrich Happy Go cardholders' privilege. Provide exclusive discounts for the FE channel to uplift card usage and number of active cards. Enhance the digital services/functions for Happy Go credit cards and promote Happy Go Pay. Leverage FEIB eco-system and work with third-party payment providers to raise the e-wallet participation/usage.

(h) Insurance Agency: Comply with the competent authority of the risk management and controlling for insurance business, optimize an interface of Sales Management System for checking for premium source and KYC etc. Follow with the Legal & Compliance, internal control and auditing in operational effectiveness. Cater to the trend of InsurTech (Insurance Technology), establish the Mobile Insurance Platform to providing customer an intuitive and user-friendly experience to reduce insurance barrier. Utilizing technology to increase services and sales efficiency. Intensify to cooperating with insurance companies' services for demand deposit / time deposit, TMU and ACH related businesses. Raise up service synergy and the banking operating performance. Prudentially respond to wave of technological innovation and customers' changing of financial management conception. Flexible launch the most of competitive insurance products to improve customer operating profitability, and increase Bancassurance sales momentum.

B. Corporate Banking

- Expand asset scale, enforce strict control of asset quality, and maintain steady profit growth.
- Continuously promote Preferential Demand Deposit program, focus on absorbing operating funds from customers, and enlarge the deposit account base for the Bank; take into consideration of funding cost, engage in dynamic adjustment of portfolio, enhance capital return and funding utilization ratio; regularly monitor liquidity ratios (LCR & NSFR), and strengthen the liquidity balance.
- Actively develop corporate finance businesses, take role of being the lead arranger and bookrunner of syndicated loans, provide solutions in structured finance, capital market, and corporate trust, build leading brand, and increase loan spreads and fee incomes.
- Ascertain KYC policy and strengthen loan portfolio monitoring management post draw down, reinforce the professionalism in compliance and legal to support business in credits for better revenues, growth rate, and profits.
- Employ the digital business development mode, promote cash management and e-banking, and expand customer base in Operating Bank account.
- Actively deploy financial service platform in the Asia Pacific region, along with the constant participation in international syndication loans and cross border transactions in Greater China and ASEAN markets, thus enlarging overseas assets and enhance profits.

C. Financial Market

- Proprietary Trading: Develop the capability of in-house derivative product warehousing and provide variety of financial products to create synergy among

trading, sales and customer services. Our missions are to expand investment and trading position, set up diversified asset allocation, flexible trading strategy and create new source of profit.

- Corporate Treasury Sales: Maintain awareness of policy and risk of products including robust KYC measures and adequate limit control to be in line with customer risk capability. Ensure seamless support for corporate clients with holistic FX instruments, including derivative products and a variety of interest rate tools to meet or exceed customer expectations.
- FX Margin Trading: Enhance functions of the electronic trading platform - FETP and to apply artificial intelligence (AI) in the business are the main objectives this year.
- FI Client：

  Deposit: Macro-control of deposits of FI client according to the bank policy, and maintain steady long-term source of funds. Optimize deposit structure, and control the capital cost.

  Credit Financing: React to the rapid change and uncertainty of global economy, strictly control the quality of credit assets

  Crossing selling: Offer hedge solutions to overseas investment and structured products for IC, SC, FC and GF etc, to elevate operation synergy

- ALM Asset and Liability Management: Strengthen liquidity risk management. Improve bank deposit structure to meet the supervision target with LCR above 100%

D. Digital Banking

- As consumers gradually accept digital services, Far Eastern International Bank looks into the possibility of digitalizing various banking services and continues to upgrade existing digital service processes.
- Amid the changes of banking business model, we build a diversified and open financial platform, develop strategic alliances, and facilitate various financial services by the Open APIs.
- With the opening of Internet-Only Banks, revised regulations, and new technology, the online application services will become more and more convenient. We make more efforts to develop our digital channels, optimize various application processes and make digital channels, which is of acquiring new customers.
- Far Eastern International Bank focuses on innovation in the fintech fields. We are now looking for breakthroughs in patentable applications based on the development process of various digital projects, accumulating research and developing innovational energy for the competitive edge.
- We develop innovative business models, promote multiple payment acquisition businesses, and integrates cash flow collection and payment services to enhance the Bank's revenue effectively.
- Far Eastern International Bank addresses the importance of customer experience and deploys the industry-leading "digital customer journey experience analysis"~ providing real-time proactive analysis of customer digital service journeys, improving customer pain points, and effectively increasing customers' satisfaction.

- We developed Bankee with the essence of Internet-Only Bank, established an innovative brand image for Far Eastern International Bank, and took BaaP as the core to explore blue oceans
- We proposed new concepts to obtained public interests (Bankee, BaaP, off-counter ratio, etc.), and successfully shaped the leading digital bank image for Far Eastern International Bank.
- We used big data technology to build AI models, which can tell customer preferences and provide appropriate financial services.

### (3) Market Analysis

A. Business Operation Areas and Market prospective and growth

FEIB has branches in domestic urban areas and Hong Kong. The business operation scope extends to serve Greater China and Asian regions.

Looking forward in 2020, in view of the novel outbreak of Coronavirus disease (COVID-19), OECD predicts negative global GDP growth in 1Q/2020, and downward adjusts global annual economic growth to 2.4% accordingly, compared with 2.9% in 2019. Furthermore, how the epidemic impact on economic situation depends on how effective and in-time control measures engaged and executed by each country.

Due to the global financial and economic uncertainties, Taiwan's economic forecast in 2020 will become more conservative.

FEIB keeps closely watching the development of global economics, dynamic changes in financial markets, international trading and industrial evolvements in both domestic and overseas markets. We commend our growth strategy on increasing premium asset quality with steady steps, meeting customers' various financial needs, and keeping core competence of profession to replicate better performances as we used to.

B. Competiveness, development of advantages & disadvantages and remedial strategies

FEIB has entered medium-sized bank ranking, with balanced core business development and niche products leading the market. In order to enhance continuous competitiveness, we focus on asset portfolio adjustment, implement a rigorous risk management, and ensure asset quality, process digitalization to improve operational efficiency, foster quality talents and use flexible organizational adjustments to grasp market opportunities. We also have different strategic plans for long-term and short-term business development to respond to rapidly-changing market challenges.

Facing competitive financial environment, favorable and unfavorable factors and strategies of future business development of FEIB are analyzed as follows:

(a) Strengths:

- Leveraging the FEG background and resources for group synergy
- Recruiting calibers in international financial market and optimizing human capital to build the international business team
- Upgrading systems relating to loan portfolio management to duly monitor asset quality and improve operational efficiency
- Diversifying financial products, offering tailor-made services, and targeting precise customer segment with integrated financial solutions

- Completing the capital injection to FEIB Leasing Company in Shanghai and enlarging the platform in Greater China
- Participating in international syndication loan, developing cross-border business, and promoting Bank's visibility overseas
- The government has invested resources to promote mobile payment. Domestic major retail channels have successively launched their own brand payment services, which effectively attracted elder people to use mobile payment. The domestic mobile payment penetration rate reached 60%, and targets 90% in 2025.
- The government promotes fintech innovation, and proposes two models, "Financial Regulatory Sandbox" and "Application for new business trial", to encourage the domestic financial industry to develop new types of business or operating models.

(b) Weaknesses:

- Credit spreads are suppressed by fierce competition in lending businesses amongst domestic bank
- Low-risk customers of personal loan have fierce price competition, hard to rising spread.
- Overseas branches fall shorter and business developments in mainland China and Asia are lagging
- More restrictive supervisory regulations and compliances confine business developments
- Implementation of liquidity management index constrains funding utilization
- The economic uncertainties could impact greatly on the enterprises' investments and profitability
- Internet-Only Banks will officially operate in the second half of 2020. Financial industry will face new challengers that are different from previous competitors and competition is more intense
- Affected by the spread of epidemic diseases, consumers change their purchasing behavior and payment habits which are expected to have an impact on banks' existing business models.

(c) Strategies:

- Continue to develop the "FE QR code Payment Gateway", expand the cooperative retail channels, increase multi-wallet partners, develop the cash flow management OPEN API, achieve the economies of scale, and create a complete mobile payment ecosystem.
- Optimize and promote our sub-brand "Bankee" which actively attracts the attention of Y- generation young customers and effectively expands our customer base.
- Use the concept of the financial open platform BaaP (Bank as a Platform) to modularize financial services (Open Banking). The products from new fintech

companies can be quickly connected to the bank's financial services through the OPEN API to build a diversified and open financial department store.

- Promote Preferential Demand Deposit program to build stable funding sources
- Realign asset portfolio dynamically to enhance the return on asset (ROA) and funding utilization
- Make the best use of corporate finance innovative solutions and TMU niche program to diversify financial services in product spectrum
- Follow business pattern of B2B2C to provide digitalized financial services and embracing new technology and cash management to explore new business opportunities
- Deepen customer relationship in Greater China area and cooperating government's south-bound policy so as to enlarge offshore markets and customer base by means of participating international syndication deals
- Enforce compliance and professional trainings, improving KYC processes and managing loan portfolio, and implementing self-inspection and compliance requirement
- Establish AI and digital zone in every branch and deliver a tour for our customers to experience the smart service. Convey the core value of happy plus concept in wealth management through Line@ and e-marketing.

### (4) Research and Development

A. R&D Results in Last Two Years and Future Directions:

(a) Major Financial Product：

- Mobile payment development：The "FE QR code Payment Gateway " provides a multi-transaction platform for merchants and consumers to deliver the cross-channel, cross-wallet and cross-application transactions to fulfills customers' mobile payment needs
- Integrated Payment Service Provider： The "FE QR code Payment Gateway " cooperates with "HAPPY GO" to launch a new service of "HAPPY GO Pay", which integrates points and cash flow, allowing customers to accumulate points and complete purchases at fingertips.
- Bankee：Far Eastern International Bank uses the financial open platform BaaP (Bank as a Platform) concept to modularize financial services (Open Banking) and build an open financial department store. Bankee continues to cooperate with new partners to develop innovative business models (blockchain fund exchanges, etc.) and drives market innovation and development.
- FX Margin trading： FX Margin Trading launched mobile trading platform. Annual trading volume over USD 4,270 million and profits around NTD 87 million

(b) New established department and profit and loss:

None.

B. R&D expenditures and result

R&D expenditures

Unit: NT$MM

| Year | 2019 | 2020 |
|---|---|---|
| Amount | 470,484 | 260,720 |

The R&D results is detailed in "implementation of the staff training program" and the "major financial products in last two years".

C. Future research and development plans and progress

| Current Project | R&D Amount (NT$ Thousands) | Est. deadline | Purpose |
|---|---|---|---|
| Retail Banking Project | 170,060 | Dec 2020 | Increase market competitiveness |
| Financial Strategy Center Project | 44,000 | Dec 2020 | Cooperate with business development |
| Corporate Banking Project | 17,200 | Dec 2020 | Provide convenient customer service |
| Digital Banking Project | 66,000 | Dec 2020 | Digital sub-brand |
| IT Project | 296,728 | Dec 2020 | Cooperate with business development |

## (5) Short and Long-Term Business Development Plans

A. Short-term business development plans

(a) Intensify integration benefit and adopt customer centric business model to reinforce synergy. Offer one-stop of financial service to boost revenue.

(b) Maintain existing strategic alliance volumes and supplement with Account Receivable business to increase the market shares.

(c) Adjust the credit line and interest / fee charge dynamically for the existing sales channels. Explore new channels with Group's background to strengthen completeness and increase market shares.

(d) Focus on Happy Go credit card and promote big-ticket size spending, such as department stores, travels, insurance etc. Launch special campaigns for online shopping. Leverage FE Group's resources to enhance e-payment boost card issuance and spending volume.

(e) Upgrade credit card end-to-end e&M process, including e-application, bonus point inquiry, gift redemption, e-invoice and mobile statement. Improve customer experience to increase e-usage.

(f) Target high-quality customers to expand asset scales improve customer satisfaction and apply dynamic risk management to control asset quality.

(g) Establish AI Branches with happy plus concept to provide customers LOHAS space and access to digital financial services in accordance with branch features. Upgrade wealth management system and KYC to fulfill high-end customers' needs and create business opportunities.

(h) Strengthen the multiple services of family financial management, product planning, tax filing and theme activities to meet customers' life cycle needs. Assist customers in inheriting wealth planning, and maintain the second generation of customer base.

(i) Target customers with a retirement needs, introduce retirement scheme for customers to protect personal and family assets.

(j) Work closely with insurance companies to enhance Bancassurance business, introduce the leading competitive products with solid risk management and damage protection solutions. Effectively, grasp customers' segmentation and expand sales momentum to completing a blueprint for the financial management.

(k) Adopt corporate e-banking cash management platform, providing integrated account and cash management services in Greater China to position FEIB as the operating bank for customers.

(l) Develop corporate finance products and managing regional asset portfolio to satisfy middle and jumbo corporate customers' needs.

(m) Expanding overseas offices or branches actively, and preparing the commencement of operations in Ho Chi Minh City and Singapore Rep. Offices.

(n) Meet the need of Y generation, we will keep improving our Mobile Only digital banking product, Bankee, Bankee develops innovative business models through innovative product design, sharing models, BaaP, bank as a platform, with new start-up partners.

(o) Implemented artificial intelligence applications, and developed deep learning recommendations and services for self-serving customers.

(p) Construct our FE QR code Payment Gateway assisting store in mobile payment infrastructure, which support multi-wallet services. We grasp the Tokyo Olympic business opportunities to integrate cross-border outbound payments, and build the FEIB mobile payment ecosystem.

(q) With the vigorous development of digital channels, we build a "digital service monitoring platform" to effectively monitor (disconnection, traffic, abnormal transactions) and provide stable digital services.

(r) Strengthen the pricing ability of interest rate and foreign exchange products, and to provide the one-stop shop customer service, including hedging strategies and investment products.

B. Long-term business development plans

(a) Promote the core value of FEIB wealth management, happy plus, through branch branding. Assist customers to achieve financial freedom via wealth management during different life cycles.

(b) Develop diversified financial products for new customers constantly and increasing demand deposits to lower the cost of funds, and stabilize loan spreads to reduce structural risks.

(c) Enhance personnel's abilities of wealth management consulting and financial schemes, to reinforce a taxation and retirement planning scopes. Satisfy the needs for individual or family financial management and legacy planning.

(d) Cultivate trading specialists and develop financial system to enhance investing ability to diversify investment portfolio and increase profit source.

(e) Maximize the service coverage to customers by innovative and diverse products in accordance with business sustainability, customer credit, and risk nature of function and understand financial market well, communicate and help customer with event driven transactions timely.

(f) Provide diverse/tailor-made investment with appropriate hedge under the strictly compliance of risk control and KYC procedures.

(g) Provide customers with a complete financial product and service network, expand the business scope and deepen the relationship with customers with an efficient channel platform.

(h) Maintain a stable electronic trading platform - FETP and develop new market scope.

(i) Searching target customers driven by industry trends, actively deploying off-shore market, and growing overseas asset scale and profits.

(j) Follow successful overseas business model and consistently penetrating the markets in Greater China and ASEAN through international syndication transactions and structured products for more profits.

(k) Look for innovative business models to transform "digital services" into "digital businesses" through technology applications, customer experience and digital analysis.

(l) Continue to promote e/M services, and integrate O2O online/offline to create Omni Channel intelligent services, which provide consumers with the best user experience.

(m) Continue to accumulate our Fintech R&D capabilities, and find innovative opportunities in various digital projects and apply for Fintech patents.

(n) Integrate Group's e-wallets. Use HAPPY GO PAY to implement instant accumulation/redemption for HAPPY GO bonus points. Improve group synergy with digital footprint and create a win-win operating performance.

## 2. Human Resources

### (1) Employee Information in the Recent Two Years and as of the Date of the Publication of the Annual Report

Apr 13, 2020

| Year | | 2018 | 2019 | As of Apr 13, 2020 |
|---|---|---|---|---|
| Number of Employees | Above Assistant Vice President | 736 | 785 | 776 |
| | Assistant Manager ~Manager | 1,296 | 1,299 | 1,290 |
| | Senior Clerk | 398 | 407 | 424 |
| | Contractor | 46 | 44 | 46 |
| | Total | 2,476 | 2,535 | 2,536 |
| Average Age | | 40.24 | 41.25 | 41.46 |
| Average Years of Service | | 9.77 | 9.99 | 10.12 |
| Shares of Education Degrees | Above University | 20.21% | 21.50% | 21.85% |
| | University | 61.47% | 60.47% | 60.33% |
| | Junior College | 16.51% | 16.53% | 15.93% |
| | Senior high school | 1.77% | 1.46% | 1.85% |
| | Below senior high school | 0.04% | 0.04% | 0.04% |
| Number of Professional License | Proficiency Test for Bank Internal Control and Audit | 1,662 | 1,733 | 1,746 |
| | Proficiency Test for Trust Operations Personnel | 1,380 | 1,436 | 1,443 |
| | Personal Insurance Representative | 1,476 | 1,503 | 1,519 |
| | Property Insurance Representative | 1,282 | 1,324 | 1,356 |
| | Investment-Orientated Insurance Product Representative | 621 | 682 | 676 |
| | Non-Investment-Oriented Life Insurance Eligibility and Payment of Foreign Currency Representative | 771 | 841 | 841 |
| | Certification Test for Financial Derivatives Sales Personnel | 512 | 607 | 612 |
| | Basic Proficiency Test for Bank Lending Personnel | 541 | 547 | 546 |
| | Advanced Proficiency Test for Bank Lending Personnel | 23 | 21 | 21 |
| | Basic Proficiency Test for International Banking Personnel | 299 | 319 | 318 |
| | Futures Specialist | 257 | 247 | 237 |
| | Securities Investment Trust and Consulting Professionals | 146 | 149 | 148 |
| | Securities Specialist | 189 | 193 | 193 |
| | Senior Securities Specialist | 195 | 197 | 195 |
| | Securities Investment Analyst | 6 | 8 | 9 |
| | Proficiency Test for Financial Planning Personnel | 398 | 405 | 400 |
| | Certified Financial Planner (CFP) | 12 | 16 | 16 |
| | Chartered Financial Analyst (CFA) | 2 | 2 | 2 |
| | Property Insurance Agent | 5 | 8 | 8 |
| | Property Insurance Broker | 1 | 4 | 4 |
| | Personal Insurance Agent | 4 | 7 | 7 |
| | Personal Insurance Broker | 2 | 5 | 5 |
| | General Insurance Surveyor | 1 | 1 | 1 |
| | Certified Anti-Money Laundering Specialist(CAMS) | 12 | 22 | 22 |
| | Professional Exam for Anti-Money Laundering and Countering Terrorism Financing Specialist | 199 | 418 | 429 |
| | Others | 5,662 | 6,342 | 6,296 |
| | Total | 15,658 | 17,037 | 17,050 |

### (2) Employee Training and Development

The bank's training quality has been recognized by the Ministry of Labor and received gold medal for TTQS (Talent Quality-management System). For 17 years in a row, the bank has received subsidies that accumulate 9.35 million under its "Enterprises Talent Skill Progressive Program". Training result in the recent three years is summarized as below:

Unit: NT$ Thousands

| Training / Year | Internal Program | | | External Program | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Expense | No. of Employees | No. of Classes | Expense | No. of Employees | No. of Classes | Expense | No. of Employees | No. of Classes |
| 2017 | 10,284 | 19,506 | 941 | 4,707 | 1,454 | 474 | 14,991 | 20,960 | 1,415 |
| 2018 | 17,180 | 22,723 | 1,024 | 3,828 | 1,523 | 704 | 21,008 | 24,246 | 1,728 |
| 2019 | 13,151 | 21,658 | 895 | 5,198 | 1,398 | 611 | 18,349 | 23,056 | 1,506 |

In 2019, total online courses reached over one hundred thousand employees and 415 classes. Classroom training and online training courses are summarized as below:

| Category | | Summary | No. of Employees | No. of Classes | No. of Hours |
|---|---|---|---|---|---|
| Classroom Training | Professional | Professional knowledge to execute business and knowledge of digital finance. | 17,703 | 1,506 | 117,096 |
| | Fundamental | New employee orientation, productivity enhancement and self- management skills. | 386 | | |
| | Management | Strengthening management skills for potential talents and managers. | 696 | | |
| | Language | Toastmasters and English classes | 1,625 | | |
| | Regulatory | Legally required courses such as information security, anti-money laundering, and occupational safety and health training. | 2,646 | | |
| Online Training | | Courses such as product training, legal knowledge, and sales skills. | 108,735 | 415 | 128,779 |

### (3) Training and Development Plan in 2020.

A. Solidify core-competency training, advance professional knowledge and skills training, and implement legal & compliance training.

B. Build digital thinking culture and develop Fintech talents by holding Fintech lectures and computer application training, and adopt external digital learning platforms.

C. Develop talents and cultivate talent echelon through MA (Management Associate), Mid HPT (Mid-Level High Potential Talent) and HPT (High Potential Talent) training program. Furthermore, provide management training for new managers, and promote English development program to build a bicultural talent pool.

### (4) Employee Behavior and Ethics Standards

The bank has established "Ethical Corporate Management Best-Practice Principles," Codes of Ethical Conduct" and" Codes of Informing against Illegal, Unmoral and Lacking in Sincere Conduct" to comply with. These regulations have been unveiled in the bank's website, and announced at meetings held by each department in order to be understood by employees.

The following contents are articles of "Codes of Ethical Conduct of FEIB"

Article 1 Purpose and basis

In order to guide the Company's directors, managers, and employees to behave in accordance with ethical standards and improve stakeholders' understanding of the Company's ethical standards, the Company has stipulated the Codes of Ethical Conduct (the "Code") for them to comply.

Article 2 Applicable parties

The applicable parties of the Code are the Company's directors, managers, and employees. (the "Applicable parties")

Article 3 Principles of ethically conducting business

When conducting business, the Applicable parties shall comply with ethical standards and insist on honesty, trust, and job duties.

Article 4 Prevention of conflicts of interest

The Applicable parties shall conduct business in an objective and efficient way and are not allowed to obtain any illegitimate benefit for themselves, their spouses, parents, children or relatives within the second degree of kinship through their position in the Company.

When the Company has lending or borrowing agreements with, or gives guarantee for, or has material asset transactions with an affiliated enterprise of any person mentioned in the preceding paragraph, the relevant Applicable parties shall voluntarily elaborate any potential conflicts of interest between the Company and himself / herself, and shall be handled in accordance with the Company's codes relevant to these cases to prevent conflicts of interest.

Employees whose job is handling lending business should get the permission of avoiding to deal with lending cases of themselves, their spouses, or relatives within the third degree of kinship.

If employee's spouses or relatives by blood or by marriage within the third degree of kinship are employees of the Company, these persons shall comply with the principle of preventing conflicts of interest.

Article 5 Prohibition against coveting private profit

The Applicable parties are prohibited from:

1. Obtaining personal benefit through using the Company's properties, information or through their positions in the Company;

2. Competing with the Company

When the Company has an opportunity for profit, it is the responsibility of the

Applicable parties to maximize the reasonable and proper benefits that can be obtained by the Company.

Article 6 Responsibility of confidentiality

The Applicable parties are obligated to maintain the confidentiality of any information regarding the Company itself or customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or customers.

Article 7 Fair trade

The Applicable parties shall treat all customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

Article 8 Protection and proper use of the Company's assets

The Applicable parties shall protect the Company's assets, reduce expenses, and ensure that assets are legally and effectively used for the business purpose of the Company to avoid theft, negligence or wasting.

Article 9 Legal compliance

The Applicable parties shall comply with the Banking Act, Securities and Exchange Act, and other applicable laws and regulations. The Company shall strengthen promotion of ethics internally.

Article 10 Reporting

When a director discovers that the Company is in danger of sustaining material loss or damage, the director should promptly take appropriate actions and immediately notify the Audit Committee or independent director members of the Audit Committee, and report to the board of directors, and supervise the Company to report to the competent authority.

When the Applicable parties suspect or find any fact of violation of laws and regulations or the Code, they shall actively report such fact to the Audit Committee, managers, chief auditor, head office chief compliance officer, or other appropriate personnel and provide the Company with sufficient information for proper follow-ups by the Company.

All of reports shall be kept confidential and investigated by independent channels by the Company to protect informants.

Article 11 Punishment

If any of the Applicable parties violate the Code, the Company will handle the case in accordance with relevant punishment regulations; the Company may claim compensation for any loss or damage resulting from such violation pursuant to the Civil Code. When a director or managerial officer violates the Code, the Company shall promptly disclose on the Market Observation Post System (the "MOPS") the date of the violation, reasons for the violation, the provisions of the Code violated, and the actions taken by the Company.

Before making a resolution of punishment, the suspected violator is able to make a defense or complaint in accordance with related regulations.

Article 12 Procedures for exemption

If the Applicable parties require any exemption from compliance with the Code, it shall be resolved with approval by the board of directors, and the information on the date of exemption approved by the board of directors, objections or reservations opinions of independent directors, and the period of, reasons for, and basis of exemption shall be disclosed immediately on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the Code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

Article 13 Way of disclosure

The Company shall disclose the Code on its web site, annual report, prospectuses and the MOPS. The same requirement applies for revision.

Article 14 Implementation

The Code shall enter into force after being approved by the board of directors, and the same shall also be reported at the shareholders' meeting. The same procedure shall be followed when the Code has been amended.

## 3. Corporate Social Responsibility

### (1) Implement corporate social responsibility

A. Selected as a constituent of the Taiwan Sustainability Index

B. The 2018 CSR Report with BSI's certificate won both the silver medal and outstanding sustainability award of "2018 Taiwan Corporate Sustainability Awards."

### (2) Caring for Social Welfare

A. Eden Honor Cards were issued since 1997 with Eden Social Welfare Foundation. The Bank developed it as a core platform for diversified, convenient fund raising mechanism. Accumulated funds from FEIB and heartwarming people to donate Eden till year end of 2018 reached NT$85 million.
In 2019, another project supported Eden's "Charity Impaired Life Start" charity event, donated 100 canes for visually impaired compatriots, and purchased one metric ton of bananas for Eden and Xihaner Foundation. At the same time, we continued to cooperate with the above two public welfare foundations to hire visually impaired masseurs and mentally impaired adults.

B. Celebrating the 70th anniversary of the establishment of the Far East Group, adhering to the concept of "creating a better future, we and you go hand in hand", the Bank co-organized the "Far East Children's Story Festival" with Yadong Securities and the Far East Giant City Shopping Center to raise 15,000 copies The above-mentioned second-hand children's books and Lego bricks were sorted out by colleagues and volunteers, and distributed to the children of vulnerable families under the care of the Eden Foundation, Delan Children's Center, and the Victims Family Protection Association

Hsinchu Branch. They also performed three large-scale dramas, free for young children to watch.

C. FEIB has cooperated with the Eden Social Welfare Foundation, to hired two visually impaired masseurs to providing massage services for employees. Furthermore, FEIB was the pioneer among the financial institutions to hire an intellectual development disorders at the Children Are Us Foundation. In 2019, continually, FEIB ordered their hand-made biscuits, and hired 3 adult members to serve tea and dessert for customers at 15 branches around Taipei and New Taipei Cities.

Since 2015, FEIB has cooperated with the foundation to create public welfare employment opportunities. Through the Foundation mentors teaching, help adults to learn living skills, take a bus or the MRT to working place, and therefore join social lives. All those have shown a sincerely services for customer, and brought warm atmosphere for the bank at the same time.

### (3) Convey academic culture

A. FEIB published 2020 calendar titled "Taiwan Mountain House Travel", which selected 12 chalets and introduces the knowledge of the innocent forest, bringing out the feelings of man and nature and advocating environmental protection ideas.

B. FEIB sponsored TC (Taiwan Connection) "Midsummer Music" concert, sponsored by the violinist Hu Naiyuan to call on musicians from abroad to join in the grand event, leading the children from rural areas into the beautiful world of classical music.

C. FEIB co-sponsored "New Taipei Merry Christmas City", Taiwan Lantern Festival and etc. with the Far Eastern Group to spread the warm and grateful atmosphere of Christmas and New Year.

D. FEIB cosponsored a learning program for VIPs above 55 with the Yuan Ze University to promote LOHAS. Provide VIP customers a learning access to new technology

### (4) Environmental Protection

A. To save energy, reduce carbon emission, and geared toward international standard, FEIB established ISO 50001 and received international certification. Action are to stipulate energy policy, set up energy management team by the President to plan and integrate the Bank's internal energy operation, convoke annual meeting to discuss energy management strategy, examine and evaluate execution performance, seek efficient improvement and elevation of energy efficiency, lower operating cost, and be committed to protecting the environment.

B. The issues of global warming, climate change and sustainable development of enterprises are increasingly valued. To improve environmental management and fulfill corporate social responsibilities, the Bank introduced greenhouse gas emissions verification (ISO 14064-1) and conducted a cross-check with the representative building of the head office and obtained the British Standards Association (BSI) in 2018. The head office building of the Bank continued to conduct greenhouse gas inventory and verification in 2019. Through inventory operations, the company will have a clearer understanding of actual emissions, further establish reduction targets and management plans, and reduce greenhouse gas emissions year by year, hearing towards a sustainable enterprise.

### (5) Going Concern and Shareholder Value

FEIB has long been dedicated to improve corporate governance, and demonstrated momentum via selling of all the staff to seek better operating performance, continue to elevate asset quality and competitiveness, strengthen portfolio, and create maximum value for all shareholders. FEIB was in the top 6~20% of the listed companies in the fifth "Corporate Governance Evaluation" conducted by Taiwan Stock Exchange.

## 4. Number of Full Time Non-Managers, the Average and Median Number of Non-Managers' salary, and the Differences between 2018 and 2019

Unit: NT$ Thousands

| year | 2018 | 2019 | Difference |
|---|---|---|---|
| Full-Time Number of Non-Managers | 2,138 | 2,156 | +18 |
| Average Number of Non-Managers' Salary | 1,168,000 | 1,205,000 | +37,000 |
| Median Number of Non-Managers' Salary | 1,104,000 | 1,040,000 | -64,000 |

Note 1: Non-supervisory positions: Refers to non-manager positions.
Note 2: The statistical principles are based on the relevant reporting requirements for full-time employee salary information for companies listed on the Taiwan Stock Exchange.

## 5. IT Equipment

### (1) Major Information System Hardware, Software Configuration and Maintenance

| Information System | Hardware | Operating System |
|---|---|---|
| Core Banking System | Unisys Libra 6590 | MCP |
| Mutual Fund and Trust System | IBM AS/400 | OS/400 |
| Trade Finance System | IBM RS/6000 | AIX |
| Credit Card System | IBM Mainframe | OS/390 |
| Data Warehouse System | IBM RS/6000 | AIX |
| Individual Internet Banking system、Mobile Banking system | IBM RS/6000 | AIX |
| Corporate Internet Banking system | IBM RS/6000<br>Windows Server | AIX<br>Windows |
| Financial Markets System | Windows Server | Windows |
| FX Margin Trading System | | |
| Corporate CRM System | | |
| eLoan System | | |
| Hong Kong Branch System | | |
| Wealth Management System | Linux Server | Linux |

The software and hardware of the Bank's information system are maintained by the FEIB Information Technology Department or by professional vendors.

(2) Future Development or Acquisition Plans

A. To build financial product online application platform to simplify customer applying process and enhance customer experience.
B. Based on Mobile payment platform, continue to develop off-line payment to support customers on different financial service scenarios.
C. To optimize the FEIB official website, online banking and mobile banking services to provide convenient and useful banking services.
D. To optimize the social bank "Bankee" features to provide convenient banking services.
E. To build Robot wealth management advisory to support sales team and increase customer ROI.
F. To build mobile wealth management service for sales mobility, reduce sales cycles and provide better customer service.
G. To optimize the Web chat (Robot & Live) Customer Service System to improve customer care service.
H. To establish mobile-based insurance services to provide customers with more comprehensive insurance services.
I. To upgrade the Trade Finance System to support the business expansion.
J. To establish an external application programming interface (API) management platform to provide Open Banking services.
K. To automate the system development process to improve system development efficiency
L. To review and adjust the credit score cards and strategies to improve the scoring performance and strengthen risk management.

(3) Emergency backup and security protection measures

Please refer to Page xxx "Effect of Change in Technology and Industry on Bank's Business and Responding Measures"

## 6. Labor Relations

(1) Various Employee Welfare Measures, Retirement System and its Execution, Labor-Management Agreements, and Various Employee Interest Protection Measures Are Listed in the Following:

A. Employee Welfare Measures

(a) Preferential Interest Rate

(b) Preferential Loan Rate

(c) Financial Transaction Fee / Remittance Offer

(d) Establish the Employee Welfare Committee. Employees are entitled to apply for different subsidies, such as marriage, funeral, childbirth, festivals, birthdays, travel, club, and children.

(e) Employee Stock Ownership and Employee Remuneration

(f) Employee Stock Ownership Trust

(g) Pension

(h) Annual Leaves

(i) Group Insurance, Labor Insurance and Health Insurance

(j) Friendly Parenting Measures：

- Sign a concession contract with the child care institution.
- Leave for family care, pregnancy checkups, maternity, accompanying maternity and implementing unpaid parental leave for raising children.
- Under the normal working hours of the day, the staff can flexibly adjust the starting and ending time of work within 2 hours.

(k) Tuition Reimbursement Program

(l) Reward Program for Professional Certification

(m) Regular Employee Health Examination

B. Employee Retirement System

(a) The Bank contributes labor pension according to the labor pension system and related laws/regulations. Especially for the employees who staffed before Jul 1, 2005, the bank shall appropriate labor pension reserve funds with 2% of the total monthly wages of the employees and deposit such amount in a designated account. Before the end of each year, the bank shall assess the balance in the designated labor pension reserve funds account. As yet, the amount is adequate to pay pensions for workers retired in the same year.

(b) Supervisory Committee of Labor Retirement Reserve supervises and ensures employees' rights. The 8th term of the committee was founded in April, 2019 and, was approved for reference by Department of Labor, Taipei City Government.

C. Labor-Management Agreements and Various Employee Interest Protection Measures Are Listed in the Following:

(a) The bank proclaims internal meeting minutes on the regular basis and publishes newsletters (Happy Reader) quarterly to deliver significant management decisions and messages. Moreover, it implements mailbox and e-forum to serve as communication channel with employees. Also, it holds Labor-Management Meeting every three months to promote mutual communication between employers and employees.

(b) Be abided by various labor laws and international human rights conventions, the bank formulates "work rules" and personnel regulations. Also, regularly it carries out publicity courses to implements compliance and protects employees' labor rights and maintains gender equality in workplace.

(c) Policies of reporting, appealing and disciplinary actions:

The bank establishes "Codes of Informing against Illegal, Unmoral and Lacking in Sincere Conduct"," Procedures of Preventing, Appealing and Punishing Sex Harassment", and" Points for Attention of Dealing with Employee's grievances" for the bank to comply with. Channels-hotline, fax and e-mail address for

informing illegal and expressing complaints about their work are installed. These cases are investigated following standard operating procedures by designated departments.

Informers and details offered by informers are kept confidential, and informers are well protected in order to avoid them suffering from inappropriate retaliation.

If designated departments make sure someone who acts inappropriately after investigating, to comply with "Codes of Rewards and Disciplinary Sanctions", the person involved will be punished according to the seriousness of his inappropriate behavior, and the informer will be rewarded appropriately.

(d) The remuneration policy is determined by the board of directors after discussion of the remuneration committee. It takes account of pay level in the industry, business performance and future risks. The remuneration committee gives suggestions to the board of directors after periodical reviewing. In order to share profits with employees, the bank increases employees' salaries every year. The general pay levels are taken into account in the industry and individual performance. For 2019, the average rate of increasing salary was 3.5%.

(e) Supervisory Committee of Labor Retirement Reserve supervise the labor pension deposited such amount in a designated account.

(f) In order to ensure member's rights of employee stock ownership trust, a committee operates supervision.

### (2) Workplace Safety and Employee Psychology Health Maintenance

A. According to the regulations and guidelines of central governing authority, the bank establishes "Code of Practice of Safety and Health", "Occupational Safety and Health Management Plan", "Illegal Harassment in the Workplace when Staff Performing their duties Prevention Plan", "Abnormal Workload Triggers Disease Prevention Plan", "Ergonomics Plan for Prevention of Musculoskeletal Disorders", "Workplace Maternal Health Protection Plan", and "Employee Health Service Program" to promote occupational safety and health business for prevention of occupational disease.

B. The bank establishes the Occupational Safety and Health Management Organization. Also it sets occupational safety and health affair managers, field first aid personnel and fire prevention supervisor, and provides them training courses. Employee self-defense group is set up, which conduct anti-robbery, self-defense and fire-fighting exercise every six months. In addition, it holds occupational safety and health e-learning training courses for employees, at least 3 hours every 3 years.

C. In order to ensure the health of employees, the frequency and budget of employee health examinations provided by the bank are superior to the mandatory requirement. With regard to employees' health management, the bank arranges occupational medicine physicians available to provide medical consultation service at workplace and hires professional nurses to watch for employees' mental health maintenance. In addition, it holds various health promotion activities, including health lectures, sports club, health management competitions, etc., to create a healthy workplace. The bank's implementation result has been recognized by the HPA (Health Promotion Administration, Ministry of Health and Welfare) and received 8 badges of Accredited Healthy Workplace since 2017.

D. For providing safe and comfortable working environment to employees, the Bank measures working environment every six months in accordance with Occupational Safety and Health Act. The fire safety inspection reports are announced every year by the Fire Services Act. According to Building Act, buildings are examined for public safety every two year.

(3) Specify Loss Resulting from Labor-Management Disputes（Including Labor Inspection Results in Violation of the Labor Standards Act）in 2019 and as of Date of the Publication of the Annual Report and Disclose the Value of Current and Possible Future Loss and Countermeasures, as well as Reasons for Inability to Estimate Loss

A. Labor-Management Disputes：The bank won the first trial in the only one dispute case, which was Taiwan High Court Taichung Branch Court.

B. Labor Inspection Results in Violation of the Labor Standards Act ：None

## 7. Important Contracts

April 13, 2020

| Contract | Signing Party | Covering Period | Main Content | Restrictions |
|---|---|---|---|---|
| Outsourcing Agreement | National Credit Card Center | Sep 08,1992~Sep 07,2020 | Information system registration, processing, and output operations. | None |
| Outsourcing Agreement | Hotai Finance Co., Ltd. | Dec 08,2000~Aug 03,2020 | Outsourcing:<br>1. Application forms, certificates, and related documents conservation<br>2. Car loan (strategic alliance) marketing and sales<br>3. Car loan (strategic alliance) operations management (except credit approval)<br>4. Car loan (strategic alliance) customer service and consultancy | None |
| Outsourcing Agreement | Yulon Finance Corporation | Feb 01,2001~Apr 13,2022 | Outsourcing:<br>1. Application forms, certificates, and related documents conservation<br>2. Car loan (strategic alliance) marketing and sales<br>3. Car loan (strategic alliance) operations management (except credit approval)<br>4. Car loan (strategic alliance) customer service and consultancy | None |
| Outsourcing Agreement | Shinshin Credit Corporation | May 30,2005~Oct 09,2021 | Outsourcing:<br>1. Application forms, certificates, and related documents conservation<br>2. Car loan (strategic alliance) marketing and sales<br>3. Car loan (strategic alliance) operations management | None |

| Contract | Signing Party | Covering Period | Main Content | Restrictions |
|---|---|---|---|---|
| | | | (except credit approval)<br>4. Car loan (strategic alliance) customer service and consultancy | |
| Outsourcing Agreement | Far Trust International Finance | Aug 04,2010~Sep 05,2021 | Outsourcing:<br>1. Application forms, certificates, and related documents conservation<br>2. Motorcycle loan (strategic alliance) marketing and sales<br>3. Motorcycle loan (strategic alliance) operations management (except credit approval)<br>4. Motorcycle loan (strategic alliance) customer service and consultancy | None |
| Outsourcing Agreement | Fina Finance & Trading Co., Ltd. | Jan 02,2013~Aug 03,2020 | Outsourcing:<br>1. Application forms, certificates, and related documents conservation<br>2. Car loan (strategic alliance) marketing and sales<br>3. Car loan (strategic alliance) operations management (except credit approval)<br>4. Car loan (strategic alliance) customer service and consultancy | None |
| Outsourcing Agreement | Chailease Consumer Finance Co., Ltd. | May 30,2014~May 30,2020 | Outsourcing:<br>1. Application forms, certificates, and related documents conservation<br>2. Motorcycle loan (strategic alliance) marketing and sales<br>3. Motorcycle loan (strategic alliance) operations management (except credit approval)<br>4. Motorcycle loan (strategic alliance) customer service and consultancy | None |
| Outsourcing Agreement | Crown Van Lines Co., Ltd | Mar 01,2006~Feb 28,2021 | Outsourcing:<br>Documents such as forms and credential storage. | None |
| Outsourcing Agreement | TUNG KUAN SYSTEM CO. LTD. | Jan 02,2006~Dec 20,2020 | Data processing: Including the data entry, processing, and output of information system | None |
| Outsourcing Agreement | DING DING INTEGRATED MARKETING SERVICE CO., LTD. | Aug 31,2006~Dec 31,2020 | Data processing: Including the data entry, processing, and output of information system | None |
| Outsourcing Agreement | FOONGTONE TECHNOLOGY CO., LTD. | Feb 27,2006~Feb 28,2021 | 1. Data processing: Including the data entry, processing, and output of information system | None |

| Contract | Signing Party | Covering Period | Main Content | Restrictions |
|---|---|---|---|---|
| | | | 2. Including the operation processing.<br>3. Card personalization printing<br>4. Mailing job processing | |
| Outsourcing Agreement | TAWIWAN NAME PLATE CO., LTD. | Apr 01,2016~Mar 31,2021 | 1. Data processing: Including the data entry, processing, and output of information system<br>2. Including the operation processing.<br>3. Card personalization printing<br>4. Mailing job processing | None |
| Outsourcing Agreement | FUCO TECHNOLOGY CO.,LTD | Dec 10,2001~Dec 09,2020 | 1. The operation of bill printing and sealing<br>2. Mailing job processing | None |
| Outsourcing Agreement | Han Yeh Business Form Corporation | Mar 01,2004~Aug 31,2020 | Data processing: Including the processing, and output of information system | None |
| Outsourcing Agreement | OK MART | Mar 31,2004~Feb 28,2021 | Collection processing for consumer loan and credit card payment. | Entrusted institutions are limited to those approved by the competent authority |
| Outsourcing Agreement | PRESIDENT CHAIN STORE CORPORATION | Jul 01, 1993~Dec 31,2020 | Collection processing for consumer loan and credit card payment. | Entrusted institutions are limited to those approved by the competent authority |
| Outsourcing Agreement | Hi-Life INTERNATION CO., LTD. | Jul 01,2003~Jul 31,2020 | Collection processing for consumer loan and credit card payment. | Entrusted institutions are limited to those approved by the competent authority |
| Outsourcing Agreement | TAIWAN FAMILY Mart CO., LTD. | Jul 01,2003~Jun 30,2021 | Collection processing for consumer loan and credit card payment. | Entrusted institutions are limited to those approved by the competent authority |
| Outsourcing Agreement | FAR EAS TONE TELECOMMUNICATIONS CO., LTD. | Nov 01,2016~Oct 31,2020 | Collection processing for credit card payment. | None |
| Outsourcing Agreement | World Wide Net International Corp. | Nov 27,2019~Nov 27,2020 | Data processing: Including the data entry, processing, and output of information system. | None |
| Outsourcing Agreement | DXC Technology Taiwan Limited | Jan 1,2017~Dec 31,2021 | Computer system professional maintenance service | None |
| Outsourcing Agreement | twMP Co., Ltd. | Jun 01,2017~May 31,2019 | Card-based and card lifecycle management of mobile payment instruments | None |

| Contract | Signing Party | Covering Period | Main Content | Restrictions |
|---|---|---|---|---|
| Outsourcing Agreement | Chunghwa Post Co., Ltd | Aug 01,2003~Jul 31,2019 | The business data processing operations of the logistics involved. | None |
| Outsourcing Agreement | Han Yeh Business Form Co., Ltd. | May 12,2004~Nov 30,2020 | The business data processing operations of the logistics involved. | None |
| Outsourcing Agreement | Leebao Security Co., Ltd. | Aug 01,2015~Sep 30,2019 | Securities, Checks, commercial paper and cash in transit operation. | None |
| Outsourcing Agreement | Chun Hua Express Co., Ltd. | Feb 14,2007~Jan 31,2020 | Outsourced delivery of bank-wide documents and bills. | None |
| Outsourcing Agreement | Anfeng Enterprise Co., Ltd. | Jul 01,2015~Sep 30,2019 | ATM machine upgrade and error fixing | None |
| Outsourcing Agreement | Brink's Co., Ltd. | Apr 01,2019~Mar 31,2020 | Securities, Checks, commercial paper and cash in transit operation. | None |
| Outsourcing Agreement | YUEN FOONG PAPER CO.,LTD | Jun 13,2017~Jun 12,2019 | Valet invoicing (checks, money orders) assignments | None |
| Outsourcing Agreement | Sunrise Consultancy Co.,Ltd | Mar 19,2018~Mar 18,2020 | Collection of debt receivables | None |
| Outsourcing Agreement | United Credit Services Co.,Ltd | Mar 19,2018~Mar 18,2020 | Collection of debt receivables | None |
| Outsourcing Agreement | Lian Li Asset Management Co.,Ltd | Mar 19,2018~Mar 18,2020 | Collection of debt receivables | None |
| Outsourcing Agreement | Jungshin Assets Management Co.,Ltd | Mar 19,2018~Mar 18,2020 | Collection of debt receivables | None |
| Outsourcing Agreement | Unistar Asset Management Co.,Ltd | Mar 19,2018~Mar 18,2020 | Collection of debt receivables | None |
| Outsourcing Agreement | Justor Collection Management Co.,Ltd | Mar 19,2018~Mar 18,2020 | Collection of debt receivables | None |

## 8. Securitization

The Bank did not initiate securitization of any financial products in 2019.

# VI. Financial Information

## 1. Five-Year Financial Summary

### (1) Condensed Balance Sheets

Condensed Consolidated Balance Sheets

Unit: NT$ Thousands

| Item \ Year (Note1) | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Cash, Cash Equivalents, Due from Central Bank and Due from Banks | 85,132,512 | 40,106,638 | 30,943,984 | 37,566,952 | 36,421,733 |
| Financial Assets at Fair Value Through Profit or Loss | 39,672,053 | 33,830,105 | 30,208,333 | 46,507,501 | 53,015,441 |
| Financial Assets at Fair Value Through Other Comprehensive Income | - | - | - | 119,779,052 | 132,309,472 |
| Available-for-Sale Financial Assets | 27,478,135 | 79,594,706 | 109,631,578 | - | - |
| Derivative Financial Assets for Hedging | - | - | - | - | - |
| Securities Purchased under Resale Agreements | 15,344,855 | 6,396,656 | 11,071,393 | 8,289,275 | 9,944,957 |
| Receivables, net | 20,853,418 | 22,847,242 | 22,750,869 | 21,484,377 | 22,575,863 |
| Current Tax Assets | 3,085 | 4,117 | 7,372 | 93 | 172 |
| Assets held for Sale, net | - | - | - | - | - |
| Loans and Discounts, net | 334,063,822 | 355,963,672 | 351,056,762 | 379,688,118 | 384,624,817 |
| Investment in Debt Instruments at Amortized Cost, net | - | - | - | 2,588,654 | 2,543,880 |
| Hold-to-Maturity Financial Assets | 3,125,209 | 2,630,635 | 2,135,246 | - | - |
| Investment accounted for using equity method, net | 1,658,037 | 1,702,220 | 1,774,066 | 1,776,350 | 1,812,522 |
| Restricted Assets | - | - | - | - | - |
| Other Financial Assets, net | 13,739,260 | 12,841,547 | 10,445,556 | 4,695,376 | 5,547,572 |
| Properties and Equipment, net (Note2) | 2,840,692 | 2,889,674 | 2,889,392 | 2,732,431 | 2,913,291 |
| Right-of-use Assets, net | - | - | - | - | 1,025,968 |
| Investment Properties, net | - | - | - | - | - |
| Intangible Assets, net | 1,776,051 | 1,750,568 | 1,725,085 | 1,699,602 | 1,674,119 |
| Deferred Tax Assets, net | 631,541 | 635,104 | 584,502 | 372,184 | 249,411 |
| Other Assets | 236,211 | 222,399 | 200,142 | 171,185 | 228,332 |
| Total Assets | 546,554,881 | 561,415,283 | 575,424,280 | 627,351,150 | 654,887,550 |
| Due to Central Bank and Other Banks | 13,194,889 | 7,432,194 | 6,960,774 | 15,726,723 | 11,137,130 |
| Funds borrowed from the Central Bank and other banks | - | - | - | - | - |
| Financial Liabilities at Fair Value Through Profit or Loss | 9,588,248 | 7,954,542 | 4,319,121 | 2,752,479 | 3,909,304 |
| Derivative Financial Liabilities for Hedging | - | - | - | - | - |

| Item \ Year (Note1) | | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Securities Sold under Repurchase Agreements | | 3,743,155 | 13,711,223 | 12,921,364 | 14,665,794 | 9,675,529 |
| Payables | | 3,964,144 | 5,799,874 | 6,488,285 | 7,265,222 | 6,703,497 |
| Current Tax Liabilities | | 422,618 | 405,097 | 254,446 | 201,032 | 365,937 |
| Liabilities directly associates with assets held for sale | | - | - | - | - | - |
| Deposits and Remittances | | 451,294,909 | 452,720,460 | 472,392,183 | 508,407,972 | 537,396,140 |
| Bank Debentures | | 20,312,370 | 24,309,357 | 20,216,664 | 18,001,900 | 25,001,900 |
| Preferred Stock Liabilities | | - | - | - | - | - |
| Other Financial Liabilities | | 3,030,963 | 6,385,369 | 7,416,775 | 13,915,274 | 10,478,546 |
| Provisions | | 1,127,306 | 1,240,278 | 1,127,116 | 1,194,774 | 1,235,204 |
| Lease Liabilities | | - | - | - | - | 1,040,827 |
| Deferred Tax Liabilities | | - | - | - | - | - |
| Other Liabilities | | 898,631 | 506,012 | 540,880 | 475,240 | 659,123 |
| Total Liabilities | Before Distribution | 507,577,233 | 520,464,406 | 532,637,608 | 582,606,410 | 607,603,137 |
| | After Distribution | 508,790,530 | 521,771,180 | 534,034,914 | 584,077,544 | (Note3) |
| Equity Attributable to Owners of The Bank | | 38,977,648 | 40,950,877 | 42,786,672 | 44,744,740 | 47,284,413 |
| Capital | Before Distribution | 30,332,430 | 31,113,672 | 31,829,286 | 32,691,859 | 33,558,193 |
| | After Distribution | 30,939,079 | 31,829,286 | 32,691,859 | 33,558,193 | (Note3) |
| Capital Surplus | | 459,918 | 456,426 | 456,426 | 456,426 | 456,426 |
| Retained Earnings | Before Distribution | 8,300,405 | 9,609,340 | 10,486,758 | 11,649,127 | 12,833,788 |
| | After Distribution | 6,480,459 | 7,586,952 | 8,226,879 | 9,311,659 | (Note3) |
| Other Equity | | (115,105) | (228,561) | 14,202 | (52,672) | 436,006 |
| Treasury stock | | - | - | - | - | - |
| Non-controlling interests | | - | - | - | - | - |
| Total Equity | Before Distribution | 38,977,648 | 40,950,877 | 42,786,672 | 44,744,740 | 47,284,413 |
| | After Distribution | 37,764,351 | 39,644,103 | 41,389,366 | 43,273,606 | (Note3) |
| Independent Auditors' Report | | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion |
| Names of Auditors | | Shih-Tsung Wu Cheng-Hsiu Yang | Shih-Tsung Wu Cheng-Hsiu Yang | Shih-Tsung Wu Cheng-Hsiu Yang | Shih-Tsung Wu Cheng-Hsiu Yang | Chun-Hung Chen Ying-Chou Chen |

Note 1: The financial data had been audited by CPA.
Note 2: Asset revaluation had not been processed in each year.
Note 3: Earnings distribution yet to be approved by the 2020 shareholders' meeting

## Condensed non-consolidated Balance Sheets

Unit: NT$ Thousands

| Item \ Year (Note1) | 2015 | 2016 (Note4) | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Cash, Cash Equivalents, Due from Central Bank and Due from Banks | 85,019,897 | 40,022,544 | 30,882,208 | 37,529,613 | 36,234,808 |
| Financial Assets at Fair Value Through Profit or Loss | 39,672,053 | 33,830,105 | 30,208,333 | 46,507,501 | 53,015,441 |
| Financial Assets at Fair Value Through Other Comprehensive Income | - | - | - | 119,779,052 | 132,309,472 |
| Available-for-Sale Financial Assets | 27,478,135 | 79,594,706 | 109,631,578 | - | - |
| Derivative Financial Assets for Hedging | - | - | - | - | - |
| Securities Purchased under Resale Agreements | 15,344,855 | 6,396,656 | 11,071,393 | 8,289,275 | 9,944,957 |
| Receivables, net | 19,622,717 | 21,124,237 | 21,534,556 | 19,660,289 | 20,379,813 |
| Current Tax Assets | 2,707 | 3,936 | 7,263 | - | - |
| Assets held for Sale, net | - | - | - | - | - |
| Loans and Discounts, net | 334,063,822 | 355,963,672 | 351,056,762 | 379,688,118 | 384,624,817 |
| Investment in Debt Instruments at Amortized Cost, net | - | - | - | 2,588,654 | 2,543,880 |
| Hold-to-Maturity Financial Assets | 3,125,209 | 2,630,635 | 2,135,246 | - | - |
| Investment accounted for using equity method, net | 3,026,485 | 2,568,315 | 2,758,906 | 2,794,977 | 3,941,980 |
| Restricted Assets | - | - | - | - | - |
| Other Financial Assets, net | 13,650,590 | 12,761,117 | 10,172,871 | 4,460,520 | 5,303,879 |
| Properties and Equipment, net (Note2) | 2,833,396 | 2,883,105 | 2,882,032 | 2,725,364 | 2,894,717 |
| Right-of-use Assets, net | - | - | - | - | 971,147 |
| Investment Properties, net | - | - | - | - | - |
| Intangible Assets, net | 1,776,051 | 1,750,568 | 1,725,085 | 1,699,602 | 1,674,119 |
| Deferred Tax Assets, net | 630,181 | 631,415 | 546,064 | 334,706 | 221,299 |
| Other Assets | 226,885 | 214,718 | 190,336 | 161,958 | 217,713 |
| Total Assets | 546,472,983 | 560,375,729 | 574,802,633 | 626,219,629 | 654,278,042 |
| Due to Central Bank and Other Banks | 13,194,889 | 7,432,194 | 6,960,774 | 15,726,723 | 11,137,130 |
| Funds borrowed from the Central Bank and other banks | - | - | - | - | - |
| Financial Liabilities at Fair Value Through Profit or Loss | 9,588,248 | 7,954,542 | 4,319,121 | 2,752,479 | 3,909,304 |
| Derivative Financial Liabilities for Hedging | - | - | - | - | - |
| Securities Sold under Repurchase Agreements | 3,743,155 | 13,711,223 | 12,921,364 | 14,665,794 | 9,675,529 |
| Payables | 3,895,944 | 5,719,222 | 6,420,726 | 7,187,730 | 6,564,200 |
| Current Tax Liabilities | 338,563 | 401,086 | 250,254 | 179,348 | 357,130 |
| Liabilities directly associates with assets held for sale | - | - | - | - | - |
| Deposits and Remittances | 452,068,088 | 452,904,998 | 472,621,114 | 508,647,889 | 537,752,178 |
| Bank Debentures | 20,312,370 | 24,309,357 | 20,216,664 | 18,001,900 | 25,001,900 |
| Preferred Stock Liabilities | - | - | - | - | - |
| Other Financial Liabilities | 2,341,145 | 5,265,429 | 6,657,217 | 12,649,950 | 9,730,519 |

| Item \ Year (Note1) | | 2015 | 2016 (Note4) | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Provisions | | 1,127,306 | 1,240,278 | 1,127,116 | 1,194,774 | 1,235,204 |
| Lease Liabilities | | - | - | - | - | 987,337 |
| Deferred Tax Liabilities | | - | - | - | - | - |
| Other Liabilities | | 885,627 | 486,523 | 521,611 | 468,302 | 643,198 |
| Total Liabilities | Before Distribution | 507,495,335 | 519,424,852 | 532,015,961 | 581,474,889 | 606,993,629 |
| | After Distribution | 508,708,632 | 520,731,626 | 533,413,267 | 582,946,023 | (Note3) |
| Capital | Before Distribution | 30,332,430 | 31,113,672 | 31,829,286 | 32,691,859 | 33,558,193 |
| | After Distribution | 30,939,079 | 31,829,286 | 32,691,859 | 33,558,193 | (Note3) |
| Capital Surplus | | 459,918 | 456,426 | 456,426 | 456,426 | 456,426 |
| Retained Earnings | Before Distribution | 8,300,405 | 9,609,340 | 10,486,758 | 11,649,127 | 12,833,788 |
| | After Distribution | 6,480,459 | 7,586,952 | 8,226,879 | 9,311,659 | (Note3) |
| Other Equity | | (115,105) | (228,561) | 14,202 | (52,672) | 436,006 |
| Treasury stock | | - | - | - | - | - |
| Total Equity | Before Distribution | 38,977,648 | 40,950,877 | 42,786,672 | 44,744,740 | 47,284,413 |
| | After Distribution | 37,764,351 | 39,644,103 | 41,389,366 | 43,273,606 | (Note3) |
| Independent Auditors' Report | | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion |
| Names of Auditors | | Shih-Tsung Wu Cheng-Hsiu Yang | Shih-Tsung Wu Cheng-Hsiu Yang | Shih-Tsung Wu Cheng-Hsiu Yang | Shih-Tsung Wu Cheng-Hsiu Yang | Chun-Hung Chen Ying-Chou Chen |

Note 1: The financial data had been audited by CPA.

Note 2: Asset revaluation has not been processed in each year.

Note 3: Earnings distribution yet to be approved by the 2020 shareholders' meeting.

Note 4: The Bank absorbed and merged Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Property Insurance Agency Co., Ltd. on February 6, 2017, so we restated our financial statements for 2016.

## (2) Condensed Comprehensive Income statement

### Condensed Consolidated Comprehensive Income Statement

Unit: NT$ Thousands

| Item \ Year (Note) | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Interest Revenue | 11,989,434 | 9,629,219 | 10,057,931 | 11,316,237 | 11,874,558 |
| Less: Interest Expense | 6,185,693 | 3,844,797 | 4,653,057 | 5,635,434 | 6,416,746 |
| Net Interest Revenue | 5,803,741 | 5,784,422 | 5,404,874 | 5,680,803 | 5,457,812 |
| Noninterest Income and Gains, net | 5,423,986 | 4,963,033 | 4,992,255 | 5,537,474 | 6,263,868 |
| Net Revenue | 11,227,727 | 10,747,455 | 10,397,129 | 11,218,277 | 11,721,680 |
| Provision (Reversal of Provision) for Possible Losses, Commitment and Guarantee Obligations Reserve | 32,816 | 452,001 | 731,847 | 514,803 | 511,748 |
| Operating Expense | 6,575,291 | 6,479,552 | 6,397,638 | 6,634,995 | 6,953,055 |
| Pre-Tax Income from Continued Operations | 4,619,620 | 3,815,902 | 3,267,644 | 4,068,479 | 4,256,877 |
| Income Tax (Expense) Benefit | -705,488 | -572,016 | -413,761 | -544,278 | -624,282 |
| After-Tax Income from Continued Operations | 3,914,132 | 3,243,886 | 2,853,883 | 3,524,201 | 3,632,595 |
| After-Tax Income from Discontinued Operations | - | - | - | - | - |
| Net Income | 3,914,132 | 3,243,886 | 2,853,883 | 3,524,201 | 3,632,595 |
| Other Comprehensive Income (Loss) for The Year, Net of Tax | -44,146 | -228,461 | 288,686 | -329,695 | 395,350 |
| Total Comprehensive Income | 3,869,986 | 3,015,425 | 3,142,569 | 3,194,506 | 4,027,945 |
| Net Income Attributable to Owners of The Bank | 3,914,132 | 3,243,886 | 2,853,883 | 3,524,201 | 3,632,595 |
| Net Income Attributable to Non-Controlling Interests | - | - | - | - | - |
| Total Comprehensive Income Attributable to Owners of The Bank | 3,869,986 | 3,015,425 | 3,142,569 | 3,194,506 | 4,027,945 |
| Total Comprehensive Income Attributable to Non-controlling Interests | - | - | - | - | - |
| EPS (NT$) | 1.18 | 0.97 | 0.85 | 1.05 | 1.08 |

Note: The financial data had been audited by CPA.

## Condensed Non-Consolidated Comprehensive Income Statement

Unit: NT$ Thousands

| Item \ Year (Note1) | 2015 | 2016 (Note2) | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Interest Revenue | 11,984,430 | 9,612,481 | 10,015,147 | 11,261,208 | 11,805,327 |
| Less: Interest Expense | 6,180,139 | 3,833,195 | 4,632,022 | 5,608,761 | 6,404,292 |
| Net Interest Revenue | 5,804,291 | 5,779,286 | 5,383,125 | 5,652,447 | 5,401,035 |
| Noninterest Income and Gains, net | 5,038,200 | 4,739,637 | 4,794,618 | 5,286,289 | 5,930,507 |
| Net Revenue | 10,842,491 | 10,518,923 | 10,177,743 | 10,938,736 | 11,331,542 |
| Provision (Reversal of Provision) for Possible Losses, Commitment and Guarantee Obligations Reserve | 30,609 | 449,158 | 729,425 | 506,522 | 517,381 |
| Operating Expense | 6,299,060 | 6,259,739 | 6,164,989 | 6,381,959 | 6,609,385 |
| Pre-Tax Income from Continued Operations | 4,512,822 | 3,810,026 | 3,283,329 | 4,050,255 | 4,204,776 |
| Income Tax (Expense) Benefit | -598,690 | -566,140 | -429,446 | -526,054 | -572,181 |
| After-Tax Income from Continued Operations | 3,914,132 | 3,243,886 | 2,853,883 | 3,524,201 | 3,632,595 |
| After-Tax Income from Discontinued Operations | - | - | - | - | - |
| Net Income | 3,914,132 | 3,243,886 | 2,853,883 | 3,524,201 | 3,632,595 |
| Other Comprehensive Income (Loss) for The Year, Net of Tax | -44,146 | -228,461 | 288,686 | -329,695 | 395,350 |
| Total Comprehensive Income | 3,869,986 | 3,015,425 | 3,142,569 | 3,194,506 | 4,027,945 |
| EPS (NT$) | 1.18 | 0.97 | 0.85 | 1.05 | 1.08 |

Note 1: The financial data had been audited by CPA.

Note 2: The Bank absorbed and merged Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Property Insurance Agency Co., Ltd. on February 6, 2017, so we restated our financial statements for 2016.

## 2. Five-Year Financial Analysis

### (1) Financial Analysis & Key Performance Index（KPI）

Consolidated Financial Analysis

| Item(Note3) \ Year(Note1) | | | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Operating Ability | Loans to deposits ratio (%) | | 75.03 | 79.74 | 75.40 | 75.72 | 72.62 |
| | Ratio of NPL (%)＊ | | 0.252 | 0.192 | 0.287 | 0.237 | 0.279 |
| | Interest expense to average total deposits (%) | | 0.82 | 0.68 | 0.77 | 0.89 | 0.98 |
| | Interest revenue to average total loans (%) | | 2.22 | 2.17 | 2.16 | 2.30 | 2.33 |
| | Total asset turnover (times) | | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| | Average net revenue per employee(NT$1000) | | 4,360 | 4,265 | 4,159 | 4,516 | 4,624 |
| | Average net income per employee(NT$1000) | | 1,520 | 1,287 | 1,142 | 1,419 | 1,433 |
| Profitability | Return on tier 1 capital(%) | | 13.32 | 10.28 | 8.40 | 9.66 | 9.33 |
| | Return on total assets (%)＊ | | 0.73 | 0.59 | 0.50 | 0.59 | 0.57 |
| | Return on equity(%)＊ | | 10.43 | 8.12 | 6.82 | 8.05 | 7.89 |
| | Net income ratio (%) | | 34.86 | 30.18 | 27.45 | 31.41 | 30.99 |
| | EPS (NT$) (Note5)＊ | Before Distribution | 1.30 | 1.04 | 0.90 | 1.08 | 1.08 |
| | | After Distribution | 1.18 | 0.97 | 0.85 | 1.05 | - |
| Financial Structure | Liabilities to assets ratio | | 92.83 | 92.67 | 92.53 | 92.83 | 92.73 |
| | Property, plant, and equipment as a percentage of equity | | 7.29 | 7.06 | 6.75 | 6.11 | 6.16 |
| Growth Ratio | Asset growth ratio | | 4.71 | 2.72 | 2.50 | 9.02 | 4.39 |
| | Income growth ratio | | 7.42 | (17.40) | (14.37) | 24.51 | 4.63 |
| Cash Flow | Cash flow ratio | | 38.84 | (Note2) | 33.47 | 12.23 | 5.56 |
| | Cash flow adequacy ratio | | 144.64 | (Note2) | (Note2) | (Note2) | (Note2) |
| | Cash flow satisfied ratio | | 1,225.24 | (Note2) | (Note2) | (Note2) | (Note2) |
| Liquidity Reserve Ratio | | | 30.19 | 28.20 | 31.72 | 30.30 | 31.17 |
| Total Secured Loans to interested parties (NT$1000) | | | 7,706,256 | 8,208,646 | 5,896,869 | 6,112,931 | 8,245,895 |
| Total Secured Loans to interested parties as a Percentage of Total Loans | | | 2.17 | 2.18 | 1.58 | 1.50 | 1.97 |
| Operating Scale | Market share of asset | | 1.07 | 1.07 | 1.06 | 1.10 | 1.11 |
| | Market share of equity | | 1.14 | 1.14 | 1.14 | 1.12 | 1.10 |
| | Market share of deposits | | 1.23 | 1.16 | 1.17 | 1.20 | 1.25 |
| | Market share of loans | | 1.24 | 1.23 | 1.15 | 1.16 | 1.14 |

Reasons for the changes in financial ratios over the last two years (Up to 20%):

1. The decrease of asset growth ratio was due to the decrease in loan growth.
2. The decrease of income growth ratio was due to the decrease in the growth rate of net income before tax.
3. The decrease of cash flow ratio was due to the decrease of net cash flow from operating activities.
4. The increase of total secured loans to interested parties as a percentage of total loans was due to the increase of total secured loans to interested parties.

Non-consolidated Financial Analysis

| Item(Note3) \ Year(Note1) | | | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Operating Ability | Loans to deposits ratio (%) | | 74.90 | 79.71 | 75.37 | 75.68 | 72.57 |
| | Ratio of NPL(%)＊ | | 0.252 | 0.192 | 0.287 | 0.237 | 0.279 |
| | Interest expense to average total deposits(%) | | 0.82 | 0.68 | 0.77 | 0.89 | 0.98 |
| | Interest revenue to average total loans(%) | | 2.23 | 2.17 | 2.16 | 2.30 | 2.33 |
| | Total asset turnover (times) | | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| | Average net revenue per employee(NT$1000) | | 4,390 | 4,309 | 4,221 | 4,569 | 4,640 |
| | Average net income per employee(NT$1000) | | 1,585 | 1,329 | 1,184 | 1,472 | 1,488 |
| Profitability | Return on tier 1 capital (%) | | 13.24 | 10.47 | 8.57 | 9.73 | 9.37 |
| | Return on total assets (%)＊ | | 0.73 | 0.59 | 0.50 | 0.59 | 0.57 |
| | Return on equity(%)＊ | | 10.43 | 8.12 | 6.82 | 8.05 | 7.89 |
| | Net income ratio (%) | | 36.10 | 30.84 | 28.04 | 32.22 | 32.06 |
| | EPS (NT$) (Note5)＊ | Before Distribution | 1.30 | 1.04 | 0.90 | 1.08 | 1.08 |
| | | After Distribution | 1.18 | 0.97 | 0.85 | 1.05 | - |
| Financial Structure | Liabilities to assets ratio | | 92.83 | 92.66 | 92.52 | 92.81 | 92.72 |
| | Property, plant, and equipment as a percentage of equity | | 7.27 | 7.04 | 6.74 | 6.09 | 6.12 |
| Growth Ratio | Asset growth ratio | | 4.81 | 2.64 | 2.57 | 8.95 | 4.48 |
| | Income growth ratio | | 5.84 | (15.57) | (13.82) | 23.36 | 3.82 |
| Cash Flow | Cash flow ratio | | 37.72 | (Note2) | 32.19 | 14.05 | 6.52 |
| | Cash flow adequacy ratio | | 146.71 | (Note2) | (Note2) | (Note2) | (Note2) |
| | Cash flow satisfied ratio | | 958.23 | (Note2) | 82,916.57 | (Note2) | (Note2) |
| Liquidity Reserve Ratio | | | 30.19 | 28.20 | 31.72 | 30.30 | 31.17 |
| Total Secured Loans to interested parties (NT$1000) | | | 7,706,256 | 8,208,646 | 5,896,869 | 6,112,931 | 8,245,895 |
| Total Secured Loans to interested parties as a Percentage of Total Loans | | | 2.17 | 2.18 | 1.58 | 1.50 | 1.97 |
| Operating Scale | Market share of asset | | 1.07 | 1.07 | 1.06 | 1.10 | 1.11 |
| | Market share of equity | | 1.14 | 1.14 | 1.14 | 1.12 | 1.10 |
| | Market share of deposits | | 1.23 | 1.16 | 1.17 | 1.20 | 1.25 |
| | Market share of loans | | 1.21 | 1.23 | 1.15 | 1.16 | 1.14 |

Reasons for the changes in financial ratios over the last two years (Up to 20%):

1. The decrease of asset growth ratio was due to the decrease in loan growth.
2. The decrease of income growth ratio was due to the decrease in the growth rate of net income before tax.
3. The decrease of cash flow ratio was due to the decrease of net cash flow from operating activities.
4. The increase of total secured loans to interested parties as a percentage of total loans was due to the increase of total secured loans to interested parties.

The mark "＊" are Key Performance Index for the Bank.
Note1: The annual financial data has been audited by independent auditors.

Note2: The ratio associated with cash flow is negative, and therefore not included in the analysis herein.
Note3: The aforementioned ratios are calculated as follows:

1. Operating Ability
   (1) Loans to deposits ratio = Total loans / Total deposits.
   (2) Ratio of NPL = Total non-performing loans / Total loans.
   (3) Interest expense to average total deposits = Deposits related interest expense/ Average total deposits
   (4) Interest revenue to average total loans = Loans related interest revenue/ Average total loans
   (5) Total assets turnover = Net revenue / Average total assets.
   (6) Average net revenue per employee (Note7) = Net operating revenue/ Total number of employees.
   (7) Average net income per employee = Net income after tax/ Total number of employees.
2. Profitability
   (1) Return on Tier 1 capital = Net income before tax/ Average total Tier 1 capital.
   (2) Return on total assets = Net income after tax/ Average total assets.
   (3) Return on equity = Net income after tax/ Average shareholders' equity.
   (4) Net income ratio = Net income after tax/ Net profit.
   (5) EPS = (Net income attributable to owners of the bank– preferred shares dividend)/ Average issued shares (Note5)
3. Financial Structure
   (1) Liabilities to assets ratio = Total liabilities (Note4) / Total assets.
   (2) Property and equipment as a percentage of equity = Property and equipment / Net equity.
4. Growth Ratio
   (1) Asset growth ratio = (Current total asset – Last year total asset) / Last year total asset.
   (2) Income growth ratio = (Current income before income tax– Last year income before income tax)/Last year income before income tax.
5. Cash Flow (Note8)
   (1) Cash flow ratio = Cash flows from operating activities / (Due to banks and drafts + commercial bills payable + financial liabilities at fair value through profit or loss + securities purchased under resale agreements + accounts payable in 1 year).
   (2) Cash flow adequacy ratio = Cash flows from operating activities in the last 5 Years / (Capital expenditure + cash dividends) in the last 5 Years.
   (3) Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities.
6. Liquidity Reserve Ratio = Liquid assets stipulated by CBC / Reserves appropriated for various types of liabilities
7. Operating Scale
   (1) Market share of asset = Total assets / Total assets of all financial institutions available for deposits and loans (Note6)
   (2) Market share of equity = Total equities / Total equities of all financial institutions available for deposits and loans
   (3) Market share of deposits = Total deposits / Total deposits of all financial institutions available for deposits and loans
   (4) Market share of loans = Total loans / Total loans of all financial institutions available for deposits and loans

Note4: Total liabilities refer to the amount of liabilities after deducting performance guarantee reserve, contingency reserve and loan commitment provision.
Note5: The calculation formula for EPS mentioned above shall meet the following requirements during measurements:

1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
5. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net income after tax; no adjustment is required to be made if the result of operation is a net loss.

Noet6：All financial institutions that can provide deposit and loan services including local banks, Chinese mainland bank branches in Taiwan, branches of foreign banks in Taiwan, credit unions, credit departments of fishermen's associations and farmer's associations, and trust investment companies.
Noet7: Revenue refers to the sum of interest income and non-interest income.
Note8: The following notes apply when conducting cash flow analysis:

1. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Cash dividend includes cash dividends from both common shares and preferred shares.

## (2) Capital Adequacy

### Consolidated Capital Adequacy

Unit: NT$ Thousands

| Items \ Year | | | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Regulatory capital | Common equity | | 36,095,275 | 38,122,066 | 39,698,325 | 42,076,829 | 44,327,124 |
| | Additional Tier I capital | | - | - | - | 2,448,097 | 2,441,893 |
| | Tier II capital | | 13,273,278 | 14,947,886 | 12,185,406 | 9,544,444 | 11,940,847 |
| | Total regulatory capital | | 49,368,553 | 53,069,952 | 51,883,731 | 54,069,370 | 58,709,864 |
| Risk-weighted assets | Credit risk | Standardized approach | 340,251,117 | 358,837,133 | 322,187,276 | 369,490,534 | 383,322,495 |
| | | Internal rating-based approach | - | - | - | - | - |
| | | Asset securitization | - | - | - | 215,318 | 873,284 |
| | Operational risk | Basic indicator approach | 19,072,988 | 19,910,475 | 19,646,350 | 19,686,600 | 20,256,763 |
| | | Standardized approach/ alternative standardized approach | - | - | - | - | - |
| | | Advanced measurement approach | - | - | - | - | - |
| | Market risk | Standardized approach | 22,448,425 | 16,796,650 | 14,948,088 | 11,098,400 | 14,451,488 |
| | | Internal models approach | - | - | - | - | - |
| | Total risk-weighted assets | | 381,772,530 | 395,544,258 | 356,781,714 | 400,490,852 | 418,904,030 |
| Capital adequacy ratio | | | 12.93% | 13.42% | 14.54% | 13.50% | 14.02% |
| Ratio of Tier I capital to risk-weighted assets | | | 9.45% | 9.64% | 11.13% | 11.12% | 11.16% |
| Ratio of common equity to risk-weighted assets | | | 9.45% | 9.64% | 11.13% | 10.51% | 10.58% |
| Leverage ratio | | | 5.85% | 5.97% | 6.12% | 6.19% | 6.24% |
| Please explain the reason of Capital adequacy ratio change in past two years. (Variation is less than 20%) | | | | | | | |

Note：1、Regulatory capital, risk-weighted assets and Exposure Measurement are calculated under the" Regulations Governing the Capital Adequacy and Capital Category of Banks" and "The Methods for Calculating Bank's regulatory Capital and Risk Weighted Assets"

2、Formulas used were as follows:

(1)Regulatory capital = Common equity + Additional Tier I capital + Tier II capital

(2)Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk and market risk) × 12.5

(3)Capital adequacy ratio = Total regulatory capital/Total risk-weighted assets

(4)Ratio of Tier I capital to risk-weighted assets = (Common equity + Additional Tier I capital)/Total risk-weighted assets

(5)Ratio of Common equity to risk-weighted assets = Common equity/Total risk-weighted assets

(6)Leverage ratio = Net Tier I capital/Exposure Measurement

## Non-consolidated Capital Adequacy

Unit: NT$ Thousands

| Items \ Year | | | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Regulatory capital | Common equity | | 35,411,051 | 37,403,214 | 39,236,233 | 41,848,384 | 43,803,077 |
| | Additional Tier I capital | | - | - | - | 2,193,441 | 1,909,528 |
| | Tier II capital | | 12,581,780 | 14,218,654 | 11,680,665 | 9,014,910 | 10,844,574 |
| | Total regulatory capital | | 47,992,831 | 51,621,868 | 50,916,898 | 53,056,735 | 56,557,179 |
| Risk-weighted assets | Credit risk | Standardized approach | 338,888,812 | 356,944,620 | 320,791,287 | 367,484,931 | 380,798,943 |
| | | Internal rating-based approach | - | - | - | - | - |
| | | Asset securitization | - | - | - | 215,318 | 873,284 |
| | Operational risk | Basic indicator approach | 18,490,750 | 19,249,288 | 19,112,088 | 19,200,700 | 19,809,625 |
| | | Standardized approach/alternative standardized approach | - | - | - | - | - |
| | | Advanced measurement approach | - | - | - | - | - |
| | Market risk | Standardized approach | 22,448,425 | 16,796,650 | 14,948,088 | 11,098,400 | 14,451,488 |
| | | Internal models approach | - | - | - | - | - |
| | Total risk-weighted assets | | 379,827,987 | 392,990,558 | 354,851,463 | 397,999,349 | 415,933,340 |
| Capital adequacy ratio | | | 12.64% | 13.14% | 14.35% | 13.33% | 13.60% |
| Ratio of Tier I capital to risk-weighted assets | | | 9.32% | 9.52% | 11.06% | 11.07% | 10.99% |
| Ratio of common equity to risk-weighted assets | | | 9.32% | 9.52% | 11.06% | 10.51% | 10.53% |
| Leverage ratio | | | 5.74% | 5.87% | 6.06% | 6.14% | 6.11% |
| Please explain the reason of Capital adequacy ratio change in past two years. (Variation is less than 20%) | | | | | | | |

Note：1、Regulatory capital, risk-weighted assets and Exposure Measurement are calculated under the "Regulations Governing the Capital Adequacy and Capital Category of Banks"and"The Methods for Calculating Bank's regulatory Capital and Risk Weighted Assets"

2、Formulas used were as follows:

(1)Regulatory capital = Common equity + Additional Tier I capital + Tier II capital

(2)Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk and market risk) × 12.5

(3)Capital adequacy ratio = Total regulatory capital/Total risk-weighted assets

(4)Ratio of Tier I capital to risk-weighted assets = (Common equity + Additional Tier I capital)/Total risk-weighted assets

(5)Ratio of Common equity to risk-weighted assets = Common equity/Total risk-weighted assets

(6)Leverage ratio = Net Tier I capital/Exposure Measurement

## 3. The Audit Committee's Review Report

To: 2020 Annual Shareholders' Meeting of Far Eastern International Bank

March 23, 2020

The Board of Directors has submitted business report, audited financial statements (certified by, Chun-Hung Chen CPA, and Ying-Chou Chen CPA, of Deloitte & Touche) and earnings distribution proposal of the Bank for the year ended Dec.31 2019 for the Committee's review.

After reviewing, the Committee has found the above mentioned reports acceptable, and hence issued the review report herewith in accordance with Article 14-4 of the Securities and Exchange Act, and Article 219 of the Company Act.

Bing Shen

Audit Committee Convener
Far Eastern International Bank

## 4. 2019 Audited Consolidated Financial Statement

Please refer to page 167-259.

## 5. 2019 Non-Consolidated Financial Statement

Please refer to page 260-351.

## 6. The Bank should disclose the financial impacts to the Company and its affiliated companies who have incurred any financial or cash flow difficulties in 2019 and as of the date of the publication of the annual report

None.

# VII. Review of Financial Conditions, Financial Performance, and Risk Management

## 1. Analysis of Financial Status

Unit: NT$ Thousands

| Item \ Year | Dec. 31, 2019 | Dec. 31, 2018 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Cash and Cash Equivalents, Due from the Central Bank and Other Banks | 36,234,808 | 37,529,613 | (1,294,805) | (3) |
| Financial Assets at Fair Value Through Profit or Loss | 53,015,441 | 46,507,501 | 6,507,940 | 14 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 132,309,472 | 119,779,052 | 12,530,420 | 10 |
| Loans and Discounts, net | 384,624,817 | 379,688,118 | 4,936,699 | 1 |
| Receivables, net | 20,379,813 | 19,660,289 | 719,524 | 4 |
| Other Financial Assets | 17,792,716 | 15,338,449 | 2,454,267 | 16 |
| Other Assets | 9,920,975 | 7,716,607 | 2,204,368 | 29 |
| Total Assets | 654,278,042 | 626,219,629 | 28,058,413 | 4 |
| Deposits and remittance | 537,752,178 | 508,647,889 | 29,104,289 | 6 |
| Other Liabilities | 69,241,451 | 72,827,000 | (3,585,549) | (5) |
| Total Liabilities | 606,993,629 | 581,474,889 | 25,518,740 | 4 |
| Capital | 33,558,193 | 32,691,859 | 866,334 | 3 |
| Capital Surplus | 456,426 | 456,426 | - | - |
| Retained Earnings | 12,833,788 | 11,649,127 | 1,184,661 | 10 |
| Other Equity | 436,006 | (52,672) | 488,678 | 928 |
| Total Equity | 47,284,413 | 44,744,740 | 2,539,673 | 6 |

Notes (Changes of more than 20% and more than $10,000 thousands):

1. The increase of Other Assets was due to the increase of NT$1.1 billion in Investment accounted for using equity method, and the increase of NT$1 billion in Right-of-use Assets.
2. The increase of Other Equity was due to the increase of NT$0.6 billion in Unrealized gains on financial assets at fair value through other comprehensive income

## 2. Analysis of Financial Performance

Unit: NT$ Thousands

| Item \ Year | 2019 | 2018 | Variance | |
|---|---|---|---|---|
| | | | Amount | (%) |
| Net Interest Revenue | $5,401,035 | $5,652,447 | $ (251,412) | (4) |
| Net-non-interest Revenue | 5,930,507 | 5,286,289 | 644,218 | 12 |
| Net Revenue | 11,331,542 | 10,938,736 | 392,806 | 4 |
| Provision for Possible Losses, Commitment and Guarantee Obligations Reserve | 517,381 | 506,522 | 10,859 | 2 |
| Operating Expense | 6,609,385 | 6,381,959 | 227,426 | 4 |
| Net Income Before Tax | 4,204,776 | 4,050,255 | 154,521 | 4 |
| Income tax expense | 572,181 | 526,054 | 46,127 | 9 |
| Net Income | $3,632,595 | $3,524,201 | $108,394 | 3 |

1. Notes of change: (Changes of more than 20% and more than $10,000 thousands): None
2. Improvement plan in the future:
   For details, please refer to the current year's business plan on page 108-111.

## 3. Analysis of Cash Flow

### (1) Liquidity Analysis for the latest 2 years:

| | 2019 | 2018 | Change in % |
|---|---|---|---|
| Cash flow ratio (%) | 6.52 | 14.05 | (54) |
| Cash flow adequacy ratio (%) | Note | Note | - |
| Cash flow satisfied ratio (%) | Note | Note | - |

Notes of change: (Changes of more than 20%) :

1. The decrease of Cash flow ratio was due to the decrease of net cash flow from operating activities.

Note: The ratio was negative, so it would not be analyzed.

### (2) Cash Flow Analysis for the Coming Year

Unit: NT$ Thousands

| Estimated Cash and Cash Equivalents, Beginning of Year (A) | Estimated Net Cash Flow from Operating Activities (B) | Estimated Cash Outflow (Inflow) (C) | Cash Surplus (Deficit) (A)+(B)−(C) | Leverage of Cash Deficit | |
|---|---|---|---|---|---|
| | | | | Investment Plan | Financing Plan |
| 8,631,510 | 3,022,285 | 12,546,059 | (892,264) | 1,070,348 | 5,068,542 |

## 4. Major Capital Expenditure in Recent Years:

None.

## 5. Investment Policy in Last Year, Main Causes of Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

### (1) Far Eastern International Securities Company Ltd

A. Main causes of profit

The company recorded net income of NT$ 106,885 thousand for the year ended December 31, 2019. The Revenue, NT$ 458,320 thousand in 2019 compared to NT$ 286,788 thousand in the prior year period was increased by NT$ 171,532 thousand or 60% growth. This increase was due to the new capital injection; the clients' AUM (Assets under management) increased from 8.5 billion in 2018 to 9.05 billion in 2019, investment turnover rate growth and bond trading volume hit a new high in 2019 boosted the productivity of sales teams.

Other operating expenses increased mainly due to our business growth that, as a result, reflected to the increased of the incentive compensation expense and continuous investment in the construction of IT system, and the other operating expenses can be reduced and controlled continuously to make a great achievement on NT$ 106,885 thousand of net income in 2019.

B. Investment Plans for the Coming Year

(a) Wealth Management Department

- Expand the wealth management team
  Increase excellent sales team to develop new clients and actively develop high-net-worth clients in central Taiwan by establishing Taichung branch.
- Strengthen relationships with our clients
  ❶ Organize various marketing activities to improve the stickiness of quality clients.
  ❷ Promote digital services, increase communication channels, and improve service quality.
- Develop diversified commodity investment and research report
  ❶ Introduce new counterparty to provide clients with a variety of products.
  ❷ Increase the productivity of market research reports.

(b) Securities Brokerage Department

The main sales channels of the securities brokerage department in 2020 are mainly banks and life insurance. In order to successfully achieve the annual performance targets, the important strategic directions as follows:

- Provide customized bond list.
- Use electronic bond quotation services to optimize operational efficiency and service quality.
- Organize investment seminars to strengthen clients' relationships.

### (2) Far Eastern Asset Management Corp

A. Main causes of profit

The company recorded income before tax of NT$ 82,327 thousand for the year ended December 31, 2019. Mainly due to purchase of bad debts and return on investment from joint venture projects.

B. Investment Plans for the Coming Year

(a) Continue to purchase new NPL to gain service fee income.

(b) Purchase through various market channels new court auction real estates, and dispose of these assets to increase revenues.

## 6. Analysis of Risk Management

### (1) Risk management structure and policy

A. Policy

(a) To foster a sound and prudent risk management culture, the Bank has employed both qualitative and quantitative measures (such as operational procedures and the ratio of asset quality), which are in compliance with the internal and external regulatory guidelines, as a reference for the Bank's business strategy.

(b) Build up an independent risk management department to implement and monitor the risk management mechanism.

(c) Effectively identify, measure, monitor and control all existing and potential risks within acceptable risk appetite, and achieve the annual budget by balancing the risk and reward.

B. Organization Structure

(a) Board of Directors :

The Board of Directors steers FEIB's risk management, and is responsible for reviewing the Bank's risk management policies, reinforcing a risk management culture and taking full responsibility for overall risk management.

(b) Assets and Liabilities Management Committee & Risk Management Committee:

The President of the Bank shall be the Chairman of the Committee(s), appoints relevant senior managers as the Committee Members, and calls regular meetings. The Committee(s) shall be responsible for supervising and reviewing the Bank's level of risk-taking and compliance results of the risk management framework.

(c) Risk Management Group :

There are two departments under the Risk Management Group, (RM)Corporate Banking Department and (RM)Consumer Banking Department of Risk Management Group. Both departments are responsible for the risk management of the relevant Business Unit(s) and regular reporting to the Risk Management Committee and the Board of the Directors. The responsibilities of each department are stated below.

- The (RM)Corporate Banking Department integrates five functions, Credit Appraisal, Account Receivable Review, Financial Market Middle Office, Credit Policy Management, Midterm Credit Management, Collectively, the department is in charge of assessment of credit application and post-lending management, formulate credit policies and monitor asset quality,

mark to market of trading position via daily market value and limitation of trading volume, respectively.

- The (RM)Consumer Banking Department is divided into 6 functions: Credit Policy, Consumer Lending Approval, Credit Card Approval, Debt collection, Management Information, and Customer Complaint Management/ Self-Assessment. They are responsible respectively for establishing lending policies of both consumer banking and credit card products, approving loans and credit card, collection of delinquent and non-performing assets, providing portfolio management information and internal control.

(d) Internal Audit Group :

The Internal Audit Group is responsible for regularly auditing the implementation of risk management framework, including risk management structure, processing, and shall provide suggestions for improvement.

## (2) Qualitative and Quantitative Information of Various Risks

### A. Credit risk management system and capital requirement

#### (a) Credit risk management system

**2019**

| Item | Context |
|---|---|
| 1.Strategies, goals, policies, and procedures of credit risk management | 1. Develop a sound credit risk management mechanism to effectively identify, measure, monitor and control credit risk, and balance the credit risk-assumed and the reasonable return.<br>2. Corporate Banking (including Emerging & Middle Market Banking Department), Retail Banking Business:<br>(1) Corporate Banking<br>1. Strategy and goal<br>Establish a prudent and specific procedure for lending and post-lending process to ensure a sound asset quality.<br>2. Policy<br>To maintain a diversified loan portfolio, the Bank shall set up credit risk proportion limits for each industry and conglomerate group. The Bank shall review those limits according to the economy trend, industry trend and the Bank's business strategy on a regular basis or whenever it is necessary.<br>3. Process<br>(1) The loan approval hierarchy is based on the Bank's "Credit Authorization Guidelines". The authorized credit officer is empowered the right of approval to the loan case. For the specific credit line application, it must be approved by certain credit approval level after evaluation of the Credit Committee.<br>(2) Establish a post-lending management system, and regularly review the credit status of borrowers, including the change of credit entity and collateral. Additionally, through the watch-list system, take counter action in time towards potential, doubtful loans.<br>(2) Retail Banking Business :<br>1. Strategy and goal<br>To formalize lending guidelines and procedures to ensure good portfolio quality with steady revenue in achieving the growth targets of lending assets. |

| Item | Context |
|---|---|
| | 2. Policy<br>To structure the retail asset portfolio adequately in terms of diversification and optimization of risk and reward. To adapt to market changes and portfolio developments by enforcing effective credit quality maintenance management which supported by business intelligent information and ad-hoc analysis and followed by policy modification wherever deems appropriate.<br>3. Process<br>To manage credit cycle which starts from asset product design, through credit cost assessment, credit terms formalizing, credit approval guidelines and procedures establishment, debt collection management then back to product modification if needed. An effective credit maintenance mechanism with process is established within the cycle to ensure quality is soundly secured. |
| 2. Organization and structure of credit risk management. | 1. Board of Directors：<br>The highest decision-making unit of the Bank's credit risk, based on the overall operating strategy and operating environment. Approve the credit risk management strategy to ensure the effective operation of credit risk management and review it regularly.<br>2. Risk Management Committee：<br>In compliance with the credit risk strategy approved by the Board of Directors, it manages the credit risk management mechanism, reviews credit risk norms, communicates and coordinates cross-department related credit risk management issues, and continuously monitors execution performance.<br>3. Credit Committee：<br>Review the Bank's specific credit line application according to the Bank's "Credit Committee Procedures".<br>4. Risk Management Group：<br>(RM)Corporate Banking Department：<br>Responsible for the credit review of corporate lending cases, the establishment and control of post-lending management and credit-related regulations, and the implementation of credit risk management monitoring.<br>(RM)Consumer Banking Department：<br>The (RM) Consumer Credit Division comprises functions of Credit Policy, Consumer Lending Approval, Credit Card Approval, Debt collection, Management Information, and Customer Complaint management/ Self-Assessment. It is responsible for establishing lending policies of consumer banking and credit card products, approving loans and credit card, debts collection, portfolio management information, internal self-assessment and customer complaint handling. |
| 3. Scope and characteristics of credit risk report and evaluation system | 1. Corporate Banking：<br>The credit risk report includes credit risk limits, risk exposure, post-lending management and asset quality. It shall be solicited to the Board of Directors after reporting to the Risk Management Committee quarterly.<br>(1) Group<br>1. Avoid excessive concentration of credit risk in conglomerate companies<br>2. Determine the credit limit of the group based on the needs of the case<br>(2) Industry<br>Review the proportion of credit exposures among industries at the end of each quarter<br>(3) Watch-list system<br>Continue to observe the changes in the credit status and business activities of the borrowers and take early action when the warnings are identified<br>(4) Asset quality classification |

| Item | Context |
|---|---|
| | In addition to the normal credit assets, the non-performing assets are evaluated, classified and special provision according to the collateral valuation and the length of the overdue period.<br>2. Retail Banking Business :<br>Report quarterly to Risk Management Committee with content of portfolio structure, asset quality status, and credit policy strategy etc. Credit measurements include concentration risk, key assets quality indicators, risk grades and industry environment changes and impacts. |
| 4. Policies for credit risk hedging or risk mitigation, as well as strategies and processes for monitoring and risk mitigation tools continuous effectiveness | 1. Evaluate the probability of default and net credit loss of asset, stipulate the appropriate credit terms and conditions, and mitigate the credit risk by levying a substantial valuable collateral or guarantor, including bank deposit slips, securities (such as treasury bills, government bonds, bank debentures, stocks, corporate bonds guaranteed by financial institutions), land and other real estate, etc., with a view to effectively reduce the risk exposures. Among them, the listed and over the counter stocks are re-evaluated daily, and the value of the collateral is monitored continuously; the value of collateral such as real estate is appraised on a case-by-case basis at each renewal.<br>2. Reduce the acceptance rate of the loan applications from the non-target customers to avoid credit risk.<br>3. The asset quality is secured by policy mechanisms, such as establishing credit limits and loan regulation before lending and via post-lending management, concentration analysis, mid-term lending and credit review tracing mechanisms to examine asset quality and obligor adverse change and to control, monitor risk in real-time basis. To report risk management regularly and feed-back to related business units, and to promptly control overall risk to make sure risk mitigation are all effective in a continuous way. |
| 5. Approach applied to Regulatory Capital Charge | Standardized Approach |

(b) Risk Exposure after Mitigating Risks from the Standardized Approach of the Credit Risk and Capital Requirement

March 31, 2020

Unit: NT$ thousands

| Exposure Type | Exposure after Risk Mitigation | Capital Requirement |
|---|---|---|
| Sovereign states | 129,995,761 | 0 |
| Non-central government public sections | 5,232,669 | 83,723 |
| Bank (including multilateral development banks) | 35,952,811 | 1,119,941 |
| Enterprises (including securities and insurance companies) | 229,129,963 | 17,092,311 |
| Retail credit | 75,544,703 | 4,792,969 |
| Residential real estate | 181,413,946 | 7,708,063 |
| Equity Investment | 1,325,043 | 106,003 |
| Other assets | 16,209,814 | 459,347 |
| Total | 674,801,710 | 31,362,358 |

B. Securitization risk management system, risk exposure, and capital requirement

(a)Securitization Risk Management Framework

2019

| Item | Context |
|---|---|
| 1. Strategies and procedures of securitization management | Not Applicable |
| 2. Organization and structure of securitization management | |
| 3. Scope and characteristics of the securitization risk report and measurement system. | |
| 4. Policies for securitization hedging or risk mitigation, as well as strategies and processes for monitoring and risk mitigation tools continuous effectiveness | |
| 5. Approach applied to Regulatory Capital Charge | Standardized Approach |
| 6. Overall qualitative disclosure requirements, included:<br>1) The purpose of engaging in securitization activities and the types of risks undertaken and retained by banks in re-securitization activities<br>2) Other risks implied by securitized assets (e.g. liquidity risk)<br>3) Different roles played by banks in the process of securitization, and the degree of participation of banks in each process<br>4) The monitoring process for credit and market risk in securitization<br>5) The risk management policy in mitigating the risks retained by securitization and re-securitization | Not Applicable |
| 7. Overview of accounting policies for bank securitization | |
| 8. In the banking book, the name of the external rating agency (ECAI) used in securitization, and the risk exposure in which it is used in each type of asset securitization | |
| 9. Any significant changes in quantity since the last reporting period (e.g. assets transferred between banking book and trading book) | |

Note: Items 6 to 9 are only required to be filled out by the founding bank that is currently in circulation.

(b)Engagement of Asset Securitization: None.

(c) Risk Exposure and Capital Requirement for Asset Securitization - by Transaction Type

March 31, 2020

Unit: NT$ thousands

| Risk Exposure Category / Book type / Bank Category | | Type of assets | Traditional | | | | | Synthetic | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Risk Exposure Amount | | | | Capital Requirement (2) | Risk Exposure Amount | Capital Requirement (4) | Risk Exposure Amount (5)=(1)+(3) | Capital Requirement (6)=(2)+(4) | Capital Requirement Before Securitization |
| | | | Retained or Purchased | For Liquidity Facility | For Credit Enhancement | Sub-total (1) | | Retained or Purchased (3) | | | | |
| Non-Founding Bank | Banking book | CMO | 7,484,036 | | | 7,484,036 | 119,744 | | | 7,484,036 | 119,744 | |
| | Trading book | | | | | | | | | | | - |
| | Sub-total | CMO | 7,484,036 | | | 7,484,036 | 119,744 | | | 7,484,036 | 119,744 | |
| Founding Bank | Banking book | | | | | | | | | | | - |
| | Trading book | | | | | | | | | | | - |
| | Sub-total | | | | | | | | | | | - |
| Total | | CMO | 7,484,036 | | | 7,484,036 | 119,744 | | | 7,484,036 | 119,744 | - |

Note: 1. The column "Type of assets" is subdivided as securitized asset (such as credit card, home equity loan, auto loan), or the securities invested (such as mortgage-backed securities, commercial mortgage backed securities, asset-backed securities, and collateralized debt obligation), etc.
2. The risk exposure amount of the banking book should be booked after risk mitigation.
3. The column "Liquidity facility" should be included the exposure of drawdown and undrawn portion.

(d) Information on Securitized Products

❶ Summarized Information on Investment in Securitized Products

March 31, 2020

Unit: NT$ thousands

| Item (Note 1) | Listed accounting items | Original Cost | Accumulated valuation gain(loss) | Accumulated loss on impairment | Book Value |
|---|---|---|---|---|---|
| CMO | Measured at fair value through OCI | 7,142,087 | 331,159 | 1,273 | 7,136,711 |

Note 1: This table contains domestic and foreign securitized products, which are registered according to the following categories and listed accounting items:
(1) Mortgage-backed securities (MBS): including beneficiary certificate for securitized claims on housing-mortgaged loans or asset-backed securities (RMBS) beneficiary certificates for securitized claims on commercial property-mortgaged loans or asset-backed securitized(CMBS), collateralized mortgage obligation (CMO), and other realty-mortgage securities.
(2) Beneficiary certificates or asset-backed securities (ABS): including beneficiary certificates for corporate-loan claims or asset- backed securitized (collateralized loan, obligation, or CLO) beneficiary certificates for securitized bond assets or asset- backed securities (collateralized bond obligation , or CBO) beneficiary certificates for securitized claims on credit card debts or asset-backed securities, beneficiary certificates by securitized claims on auto loans or asset-backed securities, beneficiary certificates for securitized claims on consumption loans/cash-card debts or asset-backed securities, beneficiary certificates for securitized leasing claims or assets-backed securities, and other securitized beneficiary certificates or asset-backed securities.
(3) (ABCP) Short-term beneficiary certificates or short-term asset-backed securities (asset-backed commercial paper).
(4) Collateralized debt obligation (CDO).
(5) Realty securitization: It refers to real estate asset trust (REAT).
(6) Bills and bonds issued as structured investment vehicles (SIV).
(7) Other securitized products.

Note 2: The table includes beneficiary certificates of asset-backed securities held by the bank with the bank serving as an originating institution.

❷ (i) Information of each Securitization Products Investment with Original Cost of NT$300Mn or above (excluding those held for credit enhancing purpose as a founder bank):

| Name of Securities (Note 2) | Listed accounting items | Currency | Issuer & location | Purchase Date | Maturity Date | Coupon Rate | Credit Rating (Note 3) | Payment method for principal and interest | Original Cost | Accumulated valuation gain(loss) | Accumulated loss on impairment | Book Value | Attachment Point (Note 4) | Contents of assets pool (Note 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US38381AYP55 | Measured at fair value through OCI | USD | GENNIE MAE /US | 2019/1/16 2019/2/21 | 2048/5/1 | 3.0 | Moody's Aaa | Monthly | 445,509 | 22,119 | 80 | 447,371 | - | - |
| US38381RYD50 | Measured at fair value through OCI | USD | GENNIE MAE /US | 2019/3/13 | 2049/3/1 | 3.5 | Moody's Aaa | Monthly | 463,215 | 17,074 | 82 | 461,917 | - | - |
| US38381TQA69 | Measured at fair value through OCI | USD | GENNIE MAE /US | 2019/4/2 | 2049/4/1 | 3.0 | Moody's Aaa | Monthly | 322,461 | 11,940 | 58 | 323,529 | - | - |
| US38381XVN38 | Measured at fair value through OCI | USD | GENNIE MAE /US | 2019/8/2 | 2049/8/1 | 3.0 | Moody's Aaa | Monthly | 546,987 | 29,746 | 97 | 545,735 | - | - |
| US38381Y5G57 | Measured at fair value through OCI | USD | GENNIE MAE /US | 2019/10/15 | 2049/10/1 | 3.0 | Moody's Aaa | Monthly | 604,676 | 40,906 | 108 | 604,560 | - | - |
| US38382AUL78 | Measured at fair value through OCI | USD | GENNIE MAE /US | 2019/11/5 | 2049/11/1 | 3.0 | Moody's Aaa | Monthly | 605,193 | 42,100 | 108 | 605,122 | - | - |
| US38382BMF75 | Measured at fair value through OCI | USD | GENNIE MAE /US | 2020/1/16 | 2049/5/1 | 2.5 | Moody's Aaa | Monthly | 604,165 | 26,031 | 108 | 604,185 | - | - |
| US38382CPT26 | Measured at fair value through OCI | USD | GENNIE MAE /US | 2020/1/16 | 2050/2/1 | 3.0 | Moody's Aaa | Monthly | 615,859 | 39,501 | 110 | 615,849 | - | - |
| US38382DND74 | Measured at fair value through OCI | USD | GENNIE MAE /US | 2020/2/25 2020/3/6 | 2049/7/1 | 3.0 | Moody's Aaa | Monthly | 1,244,007 | 55,257 | 222 | 1,244,105 | - | - |
| US38382DUM90 | Measured at fair value through OCI | USD | GENNIE MAE /US | 2020/3/10 | 2050/2/1 | 3.0 | Moody's Aaa | Monthly | 935,416 | 2,553 | 167 | 935,416 | - | - |

Note 1: The table includes domestic and foreign products.
Note 2: Full names should be provided for same securities product in difference issuance.
Note 3: Provide result of the latest credit rating.
Note 4: Attachment point refers to share of sub-issuance value with compensation priority lower than that for securities held by the bank in the total issuance value of the securitized product. Assuming, for example, a bank purchases A security of a certain CDO (collateralized debt obligation), the security has sub-security BBB and sub -equity security with compensation priority lower than A security. The total issuance value of BBB and sub-equity security amounts to 12% of the total value of the CDO. Then the attachment point for A security is 12%.
Note 5: Assets pool refers to assets portfolio handed by originating institution to trustee or other company with a special purpose. Specify kind of assets In the portfolio (denote primary lien or subordinated status), details, value on book in original currency and number.

(ii) Held for the purpose of enhancing credit as a securitization founder bank: None.

(iii) The Bank acting as a credit impaired asset purchase institution or a settlement purchase institution of securitization products: None.

❸ The Bank acting as a guarantee agency or providing liquidity facilities:

None.

C. Operational risk management system and capital requirement

(a) Operational risk management system

2019

| Item | Context |
|---|---|
| 1. Strategies and procedures of operational risk management | 1. Establish an operational risk management mechanism to enhance the risk awareness of the Bank's personnel, examine the operational risks involved in daily business activities and management processes, and take appropriate countermeasures against existing and potential risks to reduce operational risk losses.<br>2. Through the management of risk self-assessment and loss event notification, a tracking mechanism for improvements should be established, and the operational risk management status should be reviewed by an independent audit department, and the results of the verification should be reported to the Board of Directors in due course. |
| 2. Organization and structure of operational risk management | 1. Board of Directors<br>The highest decision-making unit of the Bank's operational risk management, based on the overall operating strategy and environment. Approve the Bank's operational risk management strategy, supervise the effective operation of the operational risk management mechanism, and review it regularly.<br>2. Risk Management Committee：<br>According to the operational risk management strategy approved by the Board of Directors, it manages and supervises the risk management mechanism of the Bank.<br>3. Risk Management Group：<br>Develop operational risk management procedures, establish a database of risk-loss incidents for the Bank, collect risk information and implementation status of the Bank, and report to the Board of Directors on a regular basis.<br>4. Internal Audit Group：<br>The business related to the operational risk should be audited at least once a year and suggestions for improvement should be provided in due course. |
| 3. Scope and characteristics of the operational risk reporting and measurement system | 1. Every aspect of daily business activities and management processes, is regularly self-assessed to mitigate operational risk. In addition, the Bank shall establish a regular and immediate notification mechanism for the financial or other loss events caused by improper system operation, staff misconduct, fraud and accidental disasters, and report the causes and improvement measures of each operational risk event to the senior management.<br>2. To strengthen the Bank's internal controls and prevent misconducts, the Internal Audit Group shall implement "general auditing" and "special auditing". The Bank also employs a "Compliance Officer" system to ensure that the Bank strictly abides by all regulations. |
| 4. Policies for operational risk hedging or risk mitigation, as well as strategies and processes for monitoring and risk | 1. Per evaluation of the frequency and seriousness of operational risks in daily operations and management process, the Bank transfers or offsets the loss and impact by insurance, outsourcing, etc.<br>2. With measures such as the Implementation of KYC (Know Your Customer) and anti-money laundry, internal control and compliance system, employee |

| Item | Context |
|---|---|
| mitigation tools for continuous effectiveness. | codes of conduct and trainings, the Bank aims to lower the possibility of risk occurrence.<br>3. The Bank has also set up information safety control guidelines conforming to the requirements of (ISO27001), including IT safety policies, process, supervision audit and training to mitigate information risk. |
| 5. Approach applied to Regulatory Capital Charge | Basic Indicator Approach |

❷ Operational Risk Capital Requirement

March 31, 2020

Unit: NT$ thousands

| Year | Gross profit | Capital requirement |
|---|---|---|
| 2017 | 9,956,648 | - |
| 2018 | 10,569,507 | |
| 2019 | 11,169,239 | |
| Total | 31,695,394 | 1,584,770 |

D. Market risk management system and capital requirement

❶ Market Risk Management system

2019

| Item | Context |
|---|---|
| 1. Strategies and procedures of market risk management. | 1. The Bank shall develop a sound market risk management mechanism to effectively identify, measure, evaluate, monitor market risk, and take both risk and reasonable return into consideration simultaneously.<br>2. The Bank's "Financial Market Proprietary Trading Authorization Policy" sets up position limits and stop loss limits for each financial instrument by dealing room and dealers. The Bank's position shall be monitored by the designated risk management team on a daily basis. If the stop loss limits are reached, dealers shall take prompt action to adjust positions to reduce market risk.<br>3. All products and services launched are subject to proper market risk assessment before launch. The assessment shall include the market risk and exposure incurred by the new product/service, and its impact to the Bank. |
| 2. Organization and structure of market risk management | Market risk shall be monitored by the Middle Office Team of (RM)Corporate Banking Department, which is independent from risk-taking function (i.e. dealing room/front office) and operational function (i.e. back office), and shall directly report to the non-dealing Senior Management. |
| 3. Scope and characteristics of market risk report and valuation system | 1. All the Bank's positions shall be appraised by marking to market/model to ensure a fair valuation of profit and loss.<br>2.(RM)Corporate Banking Department shall report to the Senior Management regarding to the Bank's market risk positions, level of risk-taking, profit and loss, limits usage and compliance results of the market risk related regulatory policies and procedures.<br>3. A sound information system shall be established to ensure all the trading positions are monitored effectively and correctly. |
| 4. Policies of market risk hedging or mitigation, and strategies and | 1. Position limits and stop loss limits for each financial instrument are set up by dealing room and dealers to control the market risk within a reasonable range. |

| Item | Context |
|---|---|
| procedures of monitoring the continuous effectiveness of risk hedging and mitigation | 2. All the Bank's trading positions shall be appraised independently by (RM)Corporate Banking Department by marking to market (real time or daily market price) once on a daily basis (In case of the positions for hedging purpose, at least twice on a monthly basis). Positon limits and stop loss limits shall also be monitored by (RM)Corporate Banking Department. |
| 5. Approach applied to Regulatory Capital Charge | Standardized Approach |

❷ Market Risk Capital Requirement

March 31, 2020

Unit: NT$ thousands

| Type of risk | Capital requirement |
|---|---|
| Interest rate risk | 951,580 |
| Equity securities risk | 124,199 |
| Foreign exchange risk | 25,641 |
| Product risk | 0 |
| Total | 1,101,420 |

E. Evaluation of liquidity risk includes a maturity analysis of assets and liabilities and an explanation of the methods adopted to manage asset liquidity gap and funding gap:

To manage the Bank's deposit to meet loan and financial transaction growth. The Bank would adeptly adjust its funding strategy depending on market liquidity situation and the Central Bank's policies to optimize fund usage and lower liquidity risk. The Bank would manage the maturities of long-term and short-term securities to match the timing of loan drawdowns and repayments. The stability and allocation of deposits are emphasized to manage funding liquidity. The Bank follows capital liquidity control ratio to monitor and manage liquidity risk. The Capital liquidity control ratio and relevant analysis are regularly reported to the Asset and Liability Management Committee ("ALCO") and the Board of directors.

Maturity Analysis of Assets and Liabilities

For New Taiwan dollar items

December 31, 2019

Unit: NT$ Thousands

| | Total | Amount for Remaining Period to Maturity | | | | | |
|---|---|---|---|---|---|---|---|
| | | 0 to 10 Days | 11 to 30 Days | 31 Days to 90 Days | 91 Days to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | 663,480,803 | 121,026,089 | 66,894,523 | 111,522,829 | 49,508,634 | 59,985,930 | 254,542,798 |
| Main capital outflow on maturity | 806,062,108 | 48,773,874 | 72,871,353 | 164,557,038 | 159,322,007 | 171,115,580 | 189,422,256 |
| Gap | (142,581,305) | 72,252,215 | (5,976,830) | (53,034,209) | (109,813,373) | (111,129,650) | 65,120,542 |

Note: This table refers to the New Taiwan dollar amounts held by the Bank.

FOR U.S. DOLLAR ITEMS

December 31, 2019 Unit: US$ thousands

| | Total | Amount for Remaining Period to Maturity | | | | |
|---|---|---|---|---|---|---|
| | | 0 to 30 Days | 31 Days to 90 Days | 91 Days to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | 9,006,380 | 2,523,001 | 2,305,104 | 1,294,458 | 942,218 | 1,941,599 |
| Main capital outflow on maturity | 9,880,760 | 3,187,676 | 3,810,174 | 843,210 | 997,182 | 1,042,518 |
| Gap | ( 874,380) | ( 664,675) | (1,505,070) | 451,248 | ( 54,964 ) | 899,081 |

Note: This table refers to the U.S. dollar amounts held by the Bank.

### (3) Effect of Changes in Important Local and Foreign Policies and Laws on Bank's Business and Responding Measures

A. Amended the Bank's "Corporate Governance Principles" in response to the amendments of the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the "Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers"

B. Amended the "Procedures of Asset Acquisition or Disposal of Far Eastern International Bank" in response to the amendments of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" announced by the FSC.

C. Amended the Bank's "Principles for Anti-Money Laundering and Countering Terrorism Financing Management" and "Policies for Anti-Money Laundering and Countering Terrorism Financing of Group" in response to the FSC's request.

D. Amended the Bank's "Internal Outsourcing Rules and Procedures of Far Eastern International Bank"in response to the FSC's amendments of the "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation"

### (4) Effect of Change in Technology and Industry on Bank's Business and Responding Measures

A. The rapid development of information technology, in addition to the changing habits of customer behavior, has also changed the bank's business model. In addition to using IT to develop internet banking, mobile banking, mobile payment, third-party payment, banking online service platform, foreign exchange margin trading internet banking, intelligent wealth management service and intelligent customer service, the Bank also provides completed customer services. By updating information equipment, developing new businesses models, applying business analytics technologies, building various risk assessment systems or models, and strengthening information security equipment, the bank can create product differentiation and gain market pioneers, and increase customer convenience, improve customer service efficiency and reduce overall operating costs.

B. Information security risk evaluation analysis:

FEIB has established an information security risk management structure. In 2018, it established a dedicated security department (Information Security Department) to formulate an information security policy and is responsible for the planning, implementation, management and audit of information security matters. In the first quarter of each year, the initiatives of information security will be reported to the Board of Directors. The specific management plans and risk prevention measures for the

overall implementation of information security are as follows:

(a) Information security and the personal information protection management system:

FEIB's information security management system architecture has been certified to the international standard ISO 27001, and the personal information protection management system architecture is also certified by the international standard BS 10012. Set up the Information Security Implementation Team (Information Security Committee) and the Personal Information Management Team under the management structure. The management review meeting is held every six months, and the information security policy and all management system documents are reviewed at least once a year to continue to be verified by BSI through biannual reviews, and ensure the implementation of various information security operations systems and protect customer personal information.

(b) Information security testing and audit:

In 2019, FEIB commissioned a qualified third-party consultation company to implement the information system security evaluation. Assessment projects include information system architecture review, network activity review, compliance review, vulnerability scanning, penetration tests, Mobile App security testing, SWIFT Customer Security Program (CSP) audit, and e-mail phishing exercise. The issues discovered during the period have been improved. In addition, FEIB commissioned an accountant to complete the personal information protection audit for the previous year, the audit result conformed to all relevant specifications. The implementation of FEIB's information security has met the specifications and requirements for testing and verification.

(c) Improving the information security protection architecture:

FEIB conducted a comprehensive integrity review of FEIB's network architecture, evaluated the importance and risk level of each system, planed and built FEIB's network security zone, and migrated the information systems to the network security zone. FEIB's network security has been fully strengthened and confirmed by a third-party consultant review.

In addition, FEIB plans to set up the Security Operation Center (SOC), automatically collect complete internal security device logs and external security intelligence, and improve the timeliness and integrity of security event monitoring through intelligent attack and abnormal behavior analysis mechanisms, so as to strengthen the defense in depth of the FEIB's network.

(d) Emergency response plan:

FEIB has completed denial of service (DDoS) attack response drill, ATM accident response procedure drill, cybersecurity incident response drill and information system backup drill. The drill results have met the expectations and verified the effectiveness of mechanisms and procedures.

Although FEIB has not yet invested in cyber security insurance, the management

plans and preventive measures in items (1) to (4) above have effectively controlled the security risks.

(5) Effect of a Change in Bank's Image and Responding Measures

Based on the business philosophy of "Sincerity, Diligence, Thrift, Prudence, and Innovation", the Bank is committed to becoming a professional and sophisticated financial services company in Greater China and ASEAN markets, providing customers with the best modern investment and financial solutions, focusing on safeguarding consumer rights. At the same time, corporate social responsibility is regarded as one of the core values of the Bank. We are committed to sponsoring philanthropic events based on the concept of "Take from society, Give back to society" and have maintained a good corporate image for a long time.

(6) Expected Benefits, Possible Risks and Responding Measures for M&As

No merger or acquisition in 2019

(7) Expected Benefits, Possible Risks and Responding Measures for Network Expansion

Domestic base

The reason for establishing Singapore & Ho Chi Minh Rep. Offices is to build foundation in ASEAN markets in addition to the Greater China platform. The investment and operational risks of establishing Rep. Offices are lower than branches. Those set up have limited impact on FEIB's overall financial structure and net earnings.

(8) Risks and Responding Measures of Business Concentration

Corporate Banking Group (CBG) conducts business fully in compliance with internal rules and external supervisory regulation; Furthermore, CBG regularly examines risks exposures categorized as the same industry, same conglomerate/group, same affiliated institution, and same account.

In 2019, CBG loan portfolio under management has no overly concentrated industry or region, or disadvantage of which would impair CBG's core competence. The portfolio which is composed of various segments is well proportionate and sound.

(9) Effect, Risks and Responding Measures to Ownership Changes

No ownership changes in 2018

(10) Impact, risks and countermeasures if any board directors or shareholders who own more than 1% shares of the Bank make a significant share transfer or replacement

None.

(11) Litigation or non-litigation cases

None.

(12) Other Important Risks and Responsive Procedures

None.

## 7. Contingency Plans for Crisis Management

(1) FEIB not only formulates "Guidelines on major events occurring" and "Guidelines on Emergency Response Plan", but also set Emergency Response Center. When crisis happens, FEIB can predominate immediate data effectively and integrate them timely to adopt response measures, ensuring our business to be normal.

(2) Build Duty Officer System in weekday and assign a general duty officer to coordinate sudden crisis and circulate crisis events as required.

(3) All business units should carry out crisis response measures according to FEIB's "Emergency Response Notice", "Employee Fire and Anti-robbing group exercise Plan" and "Operations of Major Crisis response".

(4) All business units should execute disaster drill and education training twice per year to reduce disaster accident losses.

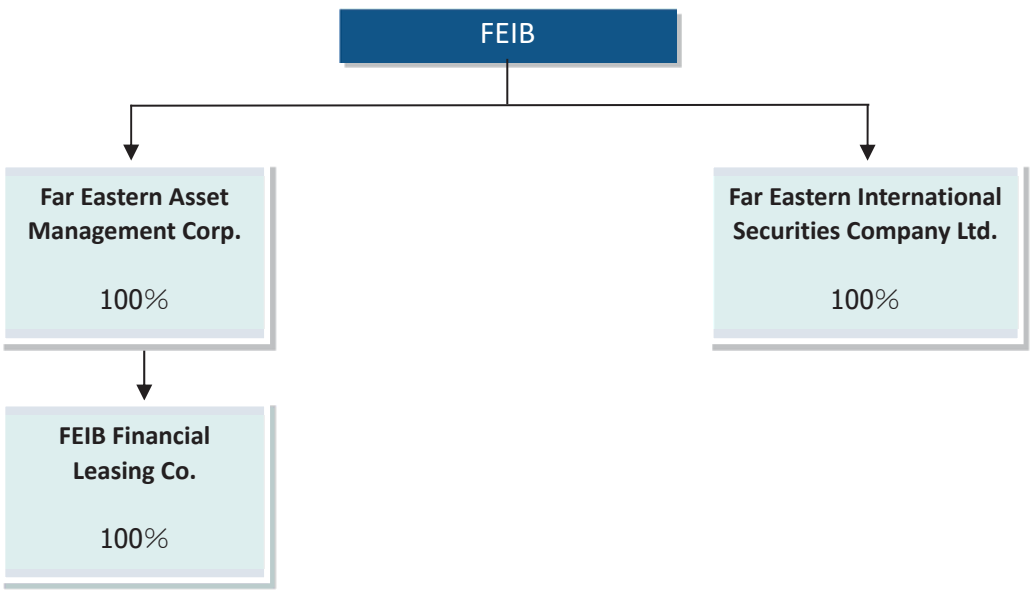
## 8. Other Important Items:

None.

# VIII. Special Disclosure

## 1. Summary of affiliated companies

### (1) Organization chart




Note：Affiliated companies of the Bank do not hold each other's shares

### (2) Backgrounds of Affiliated Companies

Unit：NT$ Thousands　　December 31, 2019

| Company Name | Established Date | Address | Paid-in Capital | Main Business |
|---|---|---|---|---|
| Far Eastern Asset Management Corp. | Jan 29, 2004 | 17th Floor, No. 207, Section 2, Dunhua South Road, Taipei | 1,684,000 | Financial institutions buy, evaluate, auction and manage services for money claims.<br>Accounts receivable purchase business.<br>Overdue accounts receivable management services. |
| FEIB Financial Leasing Co. | Apr 27, 2015 | Rm. 1504-1505,Jaidu Mansion,#719 West Yan'an Rd., Changning District, Shanghai 200050, China | USD 30,000 (eqv. NT$920,386 thousands) | Financial Leasing Business , Leasing Business ,Purchase of leasing property from domestic and foreign ,Consultation and Guarantee of Leasing Transactions, Factoring Business related to main business |
| Far Eastern International Securities Company Ltd. | Jun 26,2008 | 51F, No.7, Sec. 5, Xinyi Road, Taipei 11049 ,Taiwan. | 230,000 | Foreign securities brokerage and wealth management business. |

## (3) Backgrounds of directors, supervisors and presidents of affiliated companies

December 31 ,2019

| Company Name | Title | Name of Representatives | Shareholding | |
|---|---|---|---|---|
| | | | No.of Shares | Ratio% |
| Far Eastern Asset Management Corp. | Chairman | LIN, JIANN-JONG (representative of FEIB) | 168,400,000 | 100.00% |
| | Director | CHOU,TIEN-TSAI (representative of FEIB) | 168,400,000 | 100.00% |
| | Director | DAI,GUANG JENG (representative of FEIB) | 168,400,000 | 100.00% |
| | Director | WANG, SHAW Y. (representative of FEIB) | 168,400,000 | 100.00% |
| | Director | CHENG,CHAN-FONG (representative of FEIB) | 168,400,000 | 100.00% |
| | Supervisor | CHEN,YUN-YI (representative of FEIB) | 168,400,000 | 100.00% |
| | Supervisor | CHENG, HUM PHREY (representative of FEIB) | 168,400,000 | 100.00% |
| FEIB Financial Leasing Co. | Chairman | LIN, JIANN-JONG (representative of Far Eastern Asset Management Corp ) | No securities issued | 100% holding |
| | Director | Chi, Steve ( representative of Far Eastern Asset Management Corp ) | | |
| | Director | DAI, GUANG JENG ( representative of Far Eastern Asset Management Corp ) | | |
| | Director | Liu, Vincent ( representative of Far Eastern Asset Management Corp ) | | |
| | Director | CIOU, KUN-LONG ( representative of Far Eastern Asset Management Corp ) | | |
| | Supervisor | CHOU, SHIN-HWA (representative of Far Eastern Asset Management Corp ) | | |
| FEIB Financial Leasing Co. | Chairperson | LIU, MAY-LING (representative of FEIB) | 23,000,000 | 100.00% |
| | Director | LIN, JIANN-JONG (representative of FEIB) | 23,000,000 | 100.00% |
| | Director | TAI, SUNGCHIH (representative of FEIB) | 23,000,000 | 100.00% |
| | Director | CHANG, HSIAO-CHIEN (representative of FEIB) | 23,000,000 | 100.00% |
| | Director | YANG, YA-SEN (representative of FEIB) | 23,000,000 | 100.00% |
| | Supervisor | CHEN, YUN-YI (representative of FEIB) | 23,000,000 | 100.00% |
| | General Manager | CHEN BARRY CHI-TRUEN | Nil | Nil |

### (4) Performance of Affiliated Companies

Unit：NT$ Thousands　　December 31, 2019

| Company Name | Paid-in capital | Assets | Liabilities | Net value | Operating revenue | Operating income | Income before tax | EPS (before tax) |
|---|---|---|---|---|---|---|---|---|
| Far Eastern Asset Management Corp. | 1,684,000 | 2,148,817 | 460,926 | 1,687,891 | 56,401 | 38,037 | 82,327 | 0.49 |
| FEIB Financial Leasing Co. | 843,339 | 1,258,475 | 338,089 | 920,386 | 86,022 | 61,531 | 47,049 | - |
| Far Eastern International Securities Company Ltd. | 230,000 | 608,603 | 167,034 | 441,569 | 458,320 | 125.053 | 125,514 | 5.46 |

## 2. Private Placement Securities and Financial Debenture

Private Placement of Securities: None.

Private Placement of Financial Debentures: None.

## 3. The Company Shares Held or Disposed of by Subsidiaries in the Most Recent Years

None.

## 4. Other Major Supplementary Information

None.

## 5. Events Significantly Affecting Shareholders' Equity or Share Prices

None.

# IX. Memorabilia (including Headquarter and Branches)

Significant Events in 2019

| | |
|---|---|
| Jan | The ACH collection and payment service is integrated into FEIB corporate online banking, providing a single login platform, while managing corporate funds and collection and payment accounting services. |
| Feb | Launched " HAPPY GO area in the bank official website, integrating group credit card discounts and point redemption activities to provide customers with richer credit card information. |
| Mar | Received " Best Wealth Appreciation Award" ," Best Scientific Research Team" and "Best Video Marketing Award" by Wealth Magazine in 2019.<br>Bankee launched 13 "New Identity Cards" which help supporters to sponsor small social welfare organization for a long time.<br>Won the first place in the Taiwan Clearing House's 2018 financial institution promotion ACH competition - "new authorization (parking fee) successful account". |
| Apr | FEIB was in the top 6~20% of the listed companies in the fourth "Corporate Governance Evaluation" conducted by Taiwan Stock Exchange.<br>Received " Corporate Recognition Award" by Toastmasters International in 2019. |
| May | Launched Far East advanced Happy Card |
| June | Bankee received the "Best Innovative Business Model" award from the 2019 Young Generation Financial Trends.<br>The shareholders' meeting resulted dividend distribution of NT$0.715 per share.<br>Hosted the three-year US $ 100 million joint credit case of Quanshen Biotechnology Agricultural Technology Group. Participating banks include SCSB, DBS Bank, KGI Bank and HNCB.<br>Published 2019 FEIB CSR Report. |
| July | Received 2019 "Best brand image Award" and "Best Wealth Management Award" by Excellence Magazine.<br>Received "Syndicated Loan of the year 2019" by Asian Banking and Finance.<br>Received "Healthy Corporate Citizenship of CHR (Corporate Health Responsibility)" of Health Magazine |
| Aug | Received "Assistant Group Best Insurance Professional Award" and "Best Pathway Strategy Award" by RMIM Magazine.<br>HAPPY GO Pay officially launched in the Far East retail channel |
| Sep | Received "Best Service Innovation Enterprise " by the Greater China Customer Center Alliance (GCCA) |
| Oct | Received the "Best Service Innovation Team", "Best Customer Service Technical Support Team", and "Best Training Team" for the Excellent Customer Service (CSEA) organized by the Taiwan Customer Service Center Development Association (TCCDA)<br>Opening of Taipei Fuxing Mini Branch and Taipei Cheng Chung Branch. |
| Nov | Bankee was invited to attend the world's largest Fintech exhibition in Singapore.<br>Received "Outstanding CSR Sustainability Report" by BSI Standards annual conference.<br>Received "Taiwan Corporate Sustainability Award Bronze Silver Medal" by TCSA. |
| Dec | Received the "Healthy Workplace Certification-Health Promotion Mark" issued by the National Health Administration of the Ministry of Health and Welfare. In addition, the operation and information service center, insurance agency business group, Taoyuan Branch, Taichung Free Branch and Kaohsiung Zhongzheng Branch have a total of five The Department obtained the "Healthy Workplace Certification-Health Startup Mark".<br>Received the "Best Open API Platform Blockchain Application Digital Bank " award in the 2019 Blockchain Value Authority List.<br>Received the "TTQS Talent Development Quality Management Evaluation (Enterprise Institution Edition) Gold Medal" by the Labor Development Department of the Ministry of Labor<br>Electronic payment tax processing platform system launched. |

## Headquarter and Branches

| Operating Unit | Address | Telephone Number |
|---|---|---|
| Headquarter | 27F, No. 207, Dunhua S. Rd., Sec. 2, Da-an Dist., Taipei City 106,Taiwan | (886-2) 2378-6868 |
| Taipei Chung Hsiao Branch | No. 112, Zhongxiao E. Rd., Sec. 1, Zhongzheng Dist., Taipei City 100, Taiwan | (886-2) 2327-8898 |
| Taipei Tungmen Branch | No. 135, Sinyi Rd., Sec. 2, Zhongzheng Dist., Taipei City 100, Taiwan | (886-2) 2356-7711 |
| Taipei Cheng Chung Branch | No. 77, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan | (886-2) 2381-4567 |
| Taipei Nanmen Branch | No. 40, Roosevelt Rd., Sec. 1, Zhongzheng Dist., Taipei City 100, Taiwan | (886-2) 2392-6955 |
| Taipei Guting Branch | No. 50, Roosevelt Rd., Sec. 3, Zhongzheng Dist., Taipei City 100, Taiwan | (886-2) 2369-5600 |
| Taipei Dadaocheng Branch | No. 86, Yanping N. Rd., Sec. 2, Datong Dist. , Taipei City 103, Taiwan | (886-2) 2558-6186 |
| Taipei Chungching Branch | No. 30, Chungching N. Rd., Sec. 1, Datong Dist., Taipei City 103, Taiwan | (886-2) 2550-6600 |
| International Banking Department | 2F, No. 30, Chungching N. Rd., Sec. 1, Datong Dist., Taipei City 103, Taiwan | (886-2) 2550-8811 |
| Taipei Chungshan Branch | No. 70, Minsheng E. Rd., Sec. 1, Chungshan Dist., Taipei City 104, Taiwan | (886-2) 2523-8899 |
| Taipei Sungchiang Branch | No. 59, Sungchiang Rd., Chungshan Dist., Taipei City 104, Taiwan | (886-2) 2505-5533 |
| Taipei Nanjing East Road Branch | No. 101, Nanjing E. Rd., Sec. 3, Chungshan Dist., Taipei City 104, Taiwan | (886-2) 7702-9766 |
| Taipei Nungan Mini Branch | No. 12-1, Nungan St., Chungshan Dist., Taipei City 104, Taiwan | (886-2) 2592-2255 |
| Taipei Sungshan Branch | No. 171, Nanjing E. Rd., Sec. 5, Sungshan Dist., Taipei City 105, Taiwan | (886-2) 8787-6668 |
| Head Office Branch | 1F, No. 207, Dunhua S. Rd., Sec. 2, Da-an Dist., Taipei City 106, Taiwan | (886-2) 2378-6868 |
| Taipei Dun Nan Branch | 13F, No. 207, Dunhua S. Rd., Sec. 2, Da-an Dist., Taipei City 106, Taiwan | (886-2) 7732-0086 |
| Trust Department | 20F, No. 207, Dunhua S. Rd., Sec. 2, Da-an Dist., Taipei City 106, Taiwan | (886-2) 2312-3636 |
| Taipei Yungji Branch | No. 7, Zhongpo N. Rd., Shinyi Dist., Taipei City 110, Taiwan | (886-2) 8785-5788 |
| Taipei Shinyi Branch | No. 505, Guangfu S. Rd., Shinyi Dist., Taipei City 106, Taiwan | (886-2) 2720-7755 |
| Taipei Fuxing Mini Branch | No. 422, Fuxing N. Rd., Zhongshan Dist., Taipei City 104, Taiwan | (886-2) 8101-0168 |
| Taipei Yihsien Branch | No. 200-3, Keelung Rd., Sec. 1, Shinyi Dist., Taipei City 110, Taiwan | (886-2) 2722-9558 |
| Shipai Branch | No. 112, Shipai Rd., Sec. 2, Beitou Dist., Taipei City 112, Taiwan | (886-2) 2826-5688 |
| Taipei Jinhu Mini Branch | No. 495, Minquan E. Rd., Sec. 6, Neihu Dist., Taipei City 114, Taiwan | (886-2) 2630-5788 |
| Credit Card Department | No. 33, Aly. 3, Ln 182, Wenhua Rd., Sec. 2, Panchiao City, New Taipei City 220, Taiwan | (886-2) 8073-1166 |
| Panchiao Wenhua Branch | No. 1, Wenhua Rd., Sec. 2, Panchiao Dist., New Taipei City 220, Taiwan | (886-2) 2255-6499 |
| Panchiao Nanya Branch | No. 172, Nanya S. Rd., Sec. 2, Panchiao Dist., New Taipei City 220, Taiwan | (886-2) 8966-3339 |
| Panchiao Chungcheng Branch | No. 228, Chungcheng Rd., Panchiao Dist., New Taipei City 220, Taiwan | (886-2) 2272-6088 |
| Panchiao Mega City Branch | 2F, No. 18, Xinzhan Rd., Panchiao Dist., New Taipei City 220, Taiwan | (886-2) 7729-0616 |
| Shindian Branch | No. 98, Beixin Rd., Sec. 3, Shindian Dist., New Taipei City 231, Taiwan | (886-2) 2910-6060 |
| Yungho Branch | No. 222, Fuhe Rd., Yongho Dist., New Taipei City 234, Taiwan | (886-2) 2232-6500 |
| Shuangho Branch | No. 535, Zhonghe Rd., Yongho Dist., New Taipei City 234, Taiwan | (886-2) 7717-6668 |
| Chungho Branch | No. 3, Heping St., Chungho Dist., New Taipei City 235, Taiwan | (886-2) 2945-1800 |
| Sanchung Branch | No. 46, Fude N. Rd., Sanchung Dist., New Taipei City 241, Taiwan | (886-2) 8973-1133 |
| Taipei Shinchuang Branch | No. 209, Fuxing Rd., Sec. 1, Shinchuang Dist., New Taipei City 242, Taiwan | (886-2) 8991-3366 |
| Shinchuang Fu Guo Branch | No. 6, Fuguo Rd., Shinchuang Dist., New Taipei City 242, Taiwan | (886-2) 2901-6868 |

| Operating Unit | Address | Telephone Number |
|---|---|---|
| Luzhou Branch | No. 38, Sanmin Rd., Luzhou Dist. New Taipei City 247, Taiwan | (886-2) 7730-6978 |
| Chungli Branch | No. 372, Yanping Rd., Chungli Dist., Taoyuan City 320, Taiwan | (886-3) 427-9696 |
| Taoyuan Branch | No. 78, Nanhua St., Taoyuan Dist., Taoyuan City 330, Taiwan | (886-3) 339-6339 |
| Taoyuan Tashing Branch | No. 6, Tashing W. Rd., Sec. 2, Taoyuan Dist., Taoyuan City 330, Taiwan | (886-3) 301-8966 |
| Taoyuan Dayou Branch | No. 480, Dayou Rd., Taoyuan District, Taoyuan City 330, Taiwan | (886-3) 346-9688 |
| Lin Kou Branch | No. 227, Fuxing 1st Rd., Guishan Dist., Taoyuan City 333, Taiwan | (886-3) 397-3888 |
| Hsinchu Jinguo Branch | No. 100, Jinguo Rd., Sec. 2, Hsinchu City 300, Taiwan | (886-3) 533-3131 |
| Hsinchu Scientific Park Branch | 3F, No. 11, Yuanqu 2nd Rd., Hsinchu City 300, Taiwan | (886-3) 579-8833 |
| Hsinchu Big City Branch | No. 243, Zhongyang Rd., East Dist., Hsinchu City 300, Taiwan | (886-3) 533-8168 |
| Chupei Branch | No. 41, Guangming 6th Rd., Chupei city, Hsinchu County 302, Taiwan | (886-3) 553-6699 |
| Taichung Jihyu Branch | No. 131, Jihyu Rd., Sec. 2, Central Dist., Taichung City 400, Taiwan | (886-4) 2225-2008 |
| Taichung Kungyi Branch | No. 367, Kungyi Rd., West Dist., Taichung City 403, Taiwan | (886-4) 2328-8666 |
| Taichung Daya Branch | No. 180, Wenshing Rd., Sec. 4, North Dist., Taichung City 404, Taiwan | (886-4) 2297-3266 |
| Taichung Wenshing Branch | No. 698, Wenshin Rd., Sec. 4, Beitun Dist., Taichung City 406, Taiwan | (886-4) 2230-6689 |
| Dali Branch | No. 121, Yimin Rd., Sec. 2, Dali Dist., Taichung City 412, Taiwan | (886-4) 2482-3899 |
| Taichung Chaofu Branch | No. 139, Chaofu Rd., Xitun Dist., Taichung City 407, Taiwan | (886-4) 2252-2256 |
| Nantou Branch | No. 11, Sanhe 2nd Rd., Nantou City, Nantou County 540, Taiwan | (886-49) 222-3311 |
| Chiayi Branch | No. 272, Wenhua Rd., East Dist., Chiayi City 600, Taiwan | (886-5) 278-5911 |
| Tainan Branch | No. 2, Dongmen Rd., Sec. 2, East Dist., Tainan City 701, Taiwan | (886-6) 208-9898 |
| Chungde Branch | No. 87, Chongdao Rd., East Dist., Tainan City 701, Taiwan | (886-6) 290-7290 |
| Yungkang Branch | No. 37, Zhongzheng N. Rd., Yungkang Dist., Tainan City 710, Taiwan | (886-6) 253-0400 |
| Kaohsiung Chungcheng Branch | No. 49, Chungcheng 4th Rd., Xinxing Dist., Kaohsiung City 800, Taiwan | (886-7) 251-8199 |
| Kaohsiung Culture Center Branch | No. 96, Siwei 2nd Rd., Lingya Dist., Kaohsiung City 802, Taiwan | (886-7) 715-5678 |
| Kaohsiung Wufu Branch | No. 106, Dayong Rd., Yancheng Dist., Kaohsiung City 803, Taiwan | (886-7) 533-3820 |
| Kaohsiung Boai Branch | No. 578, Boai 2nd Rd., Zuoying Dist., Kaohsiung City 813, Taiwan | (886-7) 557-6161 |
| Hong Kong Branch | 20F, No. 8, Queen's Road, Central, Hong Kong | ( 852) 2167-8183 |

# Far Eastern International Bank Ltd. and Subsidiaries

## Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

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

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Far Eastern International Bank Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Far Eastern International Bank Ltd. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 Bank and its subsidiaries as of December 31, 2019 and 2018, 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 and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (FSC).

### Basis for Opinion

We conducted our audits in accordance with the Rules 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 Bank and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. 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.

Key audit matters related to the Bank and its subsidiaries' consolidated financial statements for the year ended December 31, 2019 for the Bank and its subsidiaries, which are described as follows:

Allowance for Expected Credit Losses on Loans and Receivables

As of December 31, 2019, the balances of loans and receivables in the aggregate amounted to NT$407,200,680 thousand, accounted for 62% of the total assets of the consolidated financial statements; an amount that is deemed to be significant to the consolidated financial statements. To the allowance for expected credit losses on loans and receivables, the Bank has assessed according to IFRS 9 and comply with relevant regulations issued by authorities, whichever is higher. As the assessment on the impairment of loans and accounts receivables involved the management's critical judgments in accounting estimation and the underlying assumption, related disclosures refer to Notes 5 to the consolidated financial statements, we deemed to the allowance for expect credit losses on loans and receivables was a key audit matter.

Refer to Notes 4, 5, 13, 14 and 43 to the consolidated financial statements for disclosures related to impairment on loans and receivables.

In response to the abovementioned key audit matter, the audit procedures we performed are as follows:

1. Understand and perform tests on the Bank's internal controls relevant to loans and receivables impairment assessment.

2. Identity the potential risk of loans and receivables customers from public information, and confirm that whether to include in the appropriate assessment stage.

3. Verify whether the methodology, main assumptions and parameters (consider the probability of default, probability of loss given default and exposure at default on forward-looking information) adopted by the impairment model of expected credit losses adequately reflect the actual position and compliance with IFRS 9, and recalculate the amount of impairment.

4. Sample and review credit files to evaluate whether the loans and receivables are reasonably categorized per regulatory stipulation and recalculate for the correctness of the allowance.

**Other Matter**

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2019 and 2018 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 and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Bank and its subsidiaries' 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 Bank and its subsidiaries' internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Bank and its subsidiaries to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Bank and its subsidiaries 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, 2019 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 audit resulting in this independent auditors' report are Chun-Hung Chen and Yin-Chou Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

*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.*

## FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars)**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| ASSETS | | | | |
| Cash and cash equivalents (Note 6) | $ 8,818,435 | 1 | $ 10,023,920 | 2 |
| Due from the Central Bank and other banks (Notes 7 and 37) | 27,603,298 | 4 | 27,543,032 | 4 |
| Financial assets at fair value through profit or loss (Notes 4, 5, 8, 37 and 42) | 53,015,441 | 8 | 46,507,501 | 7 |
| Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 11, 28, 38, 42 and 43) | 132,309,472 | 20 | 119,779,052 | 19 |
| Investment in debt instruments at amortized cost, net (Notes 4, 5, 10, 11 and 42) | 2,543,880 | - | 2,588,654 | - |
| Securities purchased under resale agreements, net (Notes 4, 12 and 37) | 9,944,957 | 2 | 8,289,275 | 1 |
| Receivables, net (Notes 4, 5, 13, 37 and 43) | 22,575,863 | 4 | 21,484,377 | 4 |
| Discounts and loans, net (Notes 4, 5, 14, 37 and 43) | 384,624,817 | 59 | 379,688,118 | 61 |
| Investment accounted for using equity method (Notes 4, 15 and 28) | 1,812,522 | - | 1,776,350 | - |
| Other financial assets, net (Notes 16 and 38) | 5,547,572 | 1 | 4,695,376 | 1 |
| Property and equipment, net (Notes 4 and 17) | 2,913,291 | 1 | 2,732,431 | 1 |
| Right-of-use assets, net (Notes 4 and 18) | 1,025,968 | - | - | - |
| Intangible assets, net (Notes 4, 5 and 19) | 1,674,119 | - | 1,699,602 | - |
| Deferred tax assets (Notes 4, 5 and 35) | 249,411 | - | 372,184 | - |
| Other assets | 228,504 | - | 171,278 | - |
| TOTAL | $ 654,887,550 | 100 | $ 627,351,150 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| LIABILITIES | | | | |
| Due to the Central Bank and other banks (Notes 20 and 43) | $ 11,137,130 | 2 | $ 15,726,723 | 3 |
| Financial liabilities at fair value through profit or loss (Notes 4, 5, 8, 37 and 42) | 3,909,304 | 1 | 2,752,479 | 1 |
| Securities sold under repurchase agreements (Notes 4, 9 and 21) | 9,675,529 | 2 | 14,665,794 | 2 |
| Payables (Notes 22 and 43) | 6,703,497 | 1 | 7,265,222 | 1 |
| Current tax liabilities (Note 4) | 365,937 | - | 201,032 | - |
| Deposits and remittances (Notes 23, 37 and 43) | 537,396,140 | 82 | 508,407,972 | 81 |
| Bank debentures (Notes 24, 42 and 43) | 25,001,900 | 4 | 18,001,900 | 3 |
| Principal received on structured products (Note 43) | 9,476,623 | 1 | 12,479,170 | 2 |
| Other financial liabilities (Notes 25 and 43) | 1,001,923 | - | 1,436,104 | - |
| Provisions (Notes 4, 26 and 37) | 1,235,204 | - | 1,194,774 | - |
| Lease liabilities (Notes 4, 18, 37 and 43) | 1,040,827 | - | - | - |
| Other liabilities (Note 35) | 659,123 | - | 475,240 | - |
| Total liabilities | 607,603,137 | 93 | 582,606,410 | 93 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 4, 9, 15 and 28) | | | | |
| Share capital | 33,558,193 | 5 | 32,691,859 | 5 |
| Capital surplus | 456,426 | - | 456,426 | - |
| Retained earnings | | | | |
| Legal reserve | 8,458,068 | 1 | 7,400,808 | 1 |
| Special reserve | 76,215 | - | 36,411 | - |
| Unappropriated earnings | 4,299,505 | 1 | 4,211,908 | 1 |
| Total retained earnings | 12,833,788 | 2 | 11,649,127 | 2 |
| Other equity | 436,006 | - | (52,672) | - |
| Total equity | 47,284,413 | 7 | 44,744,740 | 7 |
| TOTAL | $ 654,887,550 | 100 | $ 627,351,150 | 100 |

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

# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
## (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| | 2019 | | 2018 | | Percentage Increase (Decrease) |
|---|---|---|---|---|---|
| | Amount | % | Amount | % | % |
| INTEREST REVENUES (Notes 4, 29 and 37) | $ 11,874,558 | 102 | $ 11,316,237 | 101 | 5 |
| INTEREST EXPENSES (Notes 4, 18, 29 and 37) | 6,416,746 | 55 | 5,635,434 | 50 | 14 |
| NET INTERESTS | 5,457,812 | 47 | 5,680,803 | 51 | (4) |
| NET REVENUES OTHER THAN INTEREST | | | | | |
| Net service fee income (Notes 4, 30 and 37) | 3,471,360 | 30 | 3,130,773 | 28 | 11 |
| Net gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 5, 31, 37 and 42) | 2,174,891 | 18 | 1,505,960 | 13 | 44 |
| Net realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 28) | 117,454 | 1 | 138,491 | 1 | (15) |
| Net foreign exchange gains (Note 4) | 172,648 | 1 | 263,801 | 2 | (35) |
| Shares of profit of associates for using equity method (Notes 4 and 15) | 102,585 | 1 | 92,467 | 1 | 11 |
| Gains on disposal of property (Note 4) | 81 | - | 174,804 | 2 | (100) |
| Others | 224,849 | 2 | 231,178 | 2 | (3) |
| Total net revenues other than interest | 6,263,868 | 53 | 5,537,474 | 49 | 13 |
| NET REVENUES | 11,721,680 | 100 | 11,218,277 | 100 | 4 |
| PROVISION FOR LOSS ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE (Notes 4, 13, 14 and 37) | 511,748 | 5 | 514,803 | 5 | (1) |

(Continued)

# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
## (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| | 2019 | | 2018 | | Percentage Increase (Decrease) |
|---|---|---|---|---|---|
| | Amount | % | Amount | % | % |
| OPERATING EXPENSES | | | | | |
| Employee benefits expense (Notes 4, 27, 32 and 37) | $ 4,064,363 | 34 | $ 3,838,158 | 34 | 6 |
| Depreciation and amortization (Notes 4, 17, 18 and 33) | 689,247 | 6 | 250,039 | 2 | 176 |
| Other general and administrative expenses (Notes 18, 34 and 37) | 2,199,445 | 19 | 2,546,798 | 23 | (14) |
| Total operating expenses | 6,953,055 | 59 | 6,634,995 | 59 | 5 |
| INCOME BEFORE INCOME TAX | 4,256,877 | 36 | 4,068,479 | 36 | 5 |
| INCOME TAX EXPENSE (Notes 4 and 35) | 624,282 | 5 | 544,278 | 5 | 15 |
| NET INCOME FOR THE YEAR | 3,632,595 | 31 | 3,524,201 | 31 | 3 |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 5, 9, 11, 15, 27, 28 and 35) | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Remeasurement of defined benefit plans | (30,495) | - | (46,657) | (1) | (35) |
| Loss on valuation of investments in equity instruments at fair value through other comprehensive income | (4,395) | - | (37,126) | - | (88) |
| Share of other comprehensive income (loss) of associates for using equity method | 2,784 | - | (4,832) | - | 158 |
| Income tax benefit relating to items that will not be reclassified subsequently to profit or loss | 6,099 | - | 23,181 | - | (74) |
| | (26,007) | - | (65,434) | (1) | (60) |

(Continued)

# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
## (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| | 2019 | | 2018 | | Percentage Increase (Decrease) |
|---|---|---|---|---|---|
| | Amount | % | Amount | % | % |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Exchange differences on translating foreign operations | $ (135,519) | (1) | $ 60,367 | 1 | (324) |
| Share of other comprehensive income (loss) of associates for using equity method | 2,377 | - | (17,788) | - | 113 |
| Unrealized gain (loss) on investments in debt instruments measured at fair value through other comprehensive income | 544,887 | 4 | (308,943) | (3) | 276 |
| Income tax benefit relating to items that may be reclassified subsequently | 9,612 | - | 2,103 | - | 357 |
| | 421,357 | 3 | (264,261) | (2) | 259 |
| Other comprehensive income (loss) for the year | 395,350 | 3 | (329,695) | (3) | 220 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 4,027,945 | 34 | $ 3,194,506 | 28 | 26 |
| NET INCOME ATTRIBUTABLE TO: | | | | | |
| Owners of the Bank | $ 3,632,595 | 31 | $ 3,524,201 | 31 | 3 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | |
| Owners of the Bank | $ 4,027,945 | 34 | $ 3,194,506 | 28 | 26 |
| EARNINGS PER SHARE (Note 36) | | | | | |
| Basic | $1.08 | | $1.05 | | |
| Diluted | $1.08 | | $1.04 | | |

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

## FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars)**

| | Equity Attributable to Shareholders of the Parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings (Note 28) | | | Others | | | |
| | Share Capital (Note 28) | Capital Surplus (Note 28) | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations (Note 4) | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income(Notes 4, 9 and 28) | Total Equity |
| BALANCE AT JANUARY 1, 2018 | $ 31,829,286 | $ 456,426 | $ 6,544,643 | $ 250,703 | $ 3,691,412 | $ (8,653) | $ 22,855 | $ - | $ 42,786,672 |
| Effects of retrospective application | - | - | - | - | (12,342) | - | (22,855) | 196,065 | 160,868 |
| BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY | 31,829,286 | 456,426 | 6,544,643 | 250,703 | 3,679,070 | (8,653) | - | 196,065 | 42,947,540 |
| Appropriation of the 2017 earnings | | | | | | | | | |
| Legal reserve | - | - | 856,165 | - | (856,165) | - | - | - | - |
| Reversal of special reserves | - | - | - | (214,292) | 214,292 | - | - | - | - |
| Cash dividends - NT$0.439 per share | - | - | - | - | (1,397,306) | - | - | - | (1,397,306) |
| Stock dividends - NT$0.271 per share | 862,573 | - | - | - | (862,573) | - | - | - | - |
| | 862,573 | - | 856,165 | (214,292) | (2,901,752) | - | - | - | (1,397,306) |
| Net income for the year ended December 31, 2018 | - | - | - | - | 3,524,201 | - | - | - | 3,524,201 |
| Other comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | (24,080) | 62,470 | - | (368,085) | (329,695) |
| Total comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | 3,500,121 | 62,470 | - | (368,085) | 3,194,506 |
| Disposal of investments in equity instruments at fair value through other comprehensive income (loss) | - | - | - | - | (65,531) | - | - | 65,531 | - |
| BALANCE AT DECEMBER 31, 2018 | 32,691,859 | 456,426 | 7,400,808 | 36,411 | 4,211,908 | 53,817 | - | (106,489) | 44,744,740 |
| Effects of retrospective application | - | - | - | - | (17,138) | - | - | - | (17,138) |
| BALANCE AT JANUARY 1, 2019 AS APPLIED RETROSPECTIVELY | 32,691,859 | 456,426 | 7,400,808 | 36,411 | 4,194,770 | 53,817 | - | (106,489) | 44,727,602 |
| Appropriation of the 2018 earnings | | | | | | | | | |
| Legal reserve | - | - | 1,057,260 | - | (1,057,260) | - | - | - | - |
| Special reserve | - | - | - | 39,804 | (39,804) | - | - | - | - |
| Cash dividends - NT$0.450 per share | - | - | - | - | (1,471,134) | - | - | - | (1,471,134) |
| Stock dividends - NT$0.265 per share | 866,334 | - | - | - | (866,334) | - | - | - | - |
| | 866,334 | - | 1,057,260 | 39,804 | (3,434,532) | - | - | - | (1,471,134) |
| Net income for the year ended December 31, 2019 | - | - | - | - | 3,632,595 | - | - | - | 3,632,595 |
| Other comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | (24,867) | (125,907) | - | 546,124 | 395,350 |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | 3,607,728 | (125,907) | - | 546,124 | 4,027,945 |
| Disposal of investments in equity instruments at fair value through other comprehensive income (loss) | - | - | - | - | (68,461) | - | - | 68,461 | - |
| BALANCE AT DECEMBER 31, 2019 | $ 33,558,193 | $ 456,426 | $ 8,458,068 | $ 76,215 | $ 4,299,505 | $ (72,090) | $ - | $ 508,096 | $ 47,284,413 |

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

# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
## (In Thousands of New Taiwan Dollars)

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 4,256,877 | $ 4,068,479 |
| Adjustments for: | | |
| Depreciation | 661,753 | 222,608 |
| Amortization | 27,494 | 27,431 |
| Provision for loss on bad debts expense, commitment and guarantee | 920,851 | 973,684 |
| Net valuation loss (gain) on financial assets and liabilities at fair value through profit or loss | (593,942) | 220,958 |
| Interest expenses | 6,416,746 | 5,635,434 |
| Interest revenues | (11,874,558) | (11,316,237) |
| Dividends revenue | (127,529) | (124,637) |
| Shares of profit from associates | (102,585) | (92,467) |
| Loss (gain) on disposal and retirement of property and equipment | 256 | (173,729) |
| Unrealized net loss (gain) on foreign currency exchange | 57,666 | (222,021) |
| Other adjustments | (53,435) | (81,687) |
| Changes in operating assets and liabilities | | |
| Increase in due from the Central Bank and other banks | (435,494) | (1,135,766) |
| Increase in financial assets at fair value through profit or loss | (6,304,974) | (6,101,228) |
| Increase in financial assets at fair value through other comprehensive income | (12,661,604) | (10,572,357) |
| Increase in investments in debt instruments at amortized cost | - | (385,871) |
| Decrease (increase) in receivables | (1,416,246) | 2,061,824 |
| Increase in discounts and loans | (6,737,180) | (31,530,667) |
| Increase (decrease) in due to the Central Bank and other banks | (4,591,826) | 8,330,844 |
| Increase (decrease) in financial liabilities at fair value through profit or loss | 1,156,825 | (1,566,648) |
| Increase (decrease) in payables | (313,594) | 516,816 |
| Increase in deposits and remittances | 31,021,491 | 34,057,100 |
| Increase (decrease) in principal received on structured products | (2,925,839) | 6,177,186 |
| Cash used in operations | (3,618,847) | (1,010,951) |
| Interest received | 11,978,747 | 11,236,728 |
| Dividends received | 127,279 | 124,637 |
| Interest paid | (6,550,917) | (5,461,669) |
| Income tax paid | (310,372) | (341,818) |
| Net cash generated from operating activities | 1,625,890 | 4,546,927 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (415,386) | (280,235) |
| Proceeds from disposal of property and equipment | 81 | 370,883 |
| Increase in other financial assets | (931,103) | (1,156,229) |
| Decrease (increase) in other assets | (62,452) | 45,389 |
| Dividends received from associates | 71,574 | 71,573 |
| Net cash used in investing activities | (1,337,286) | (948,619) |

(Continued)

# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars)**

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of Euro Convertible Bond | $ - | $ (1,586,434) |
| Proceeds from the issuance of bank debentures | 10,000,000 | 2,900,000 |
| Repayments of bank debentures | (3,000,000) | (3,500,000) |
| Increase (decrease) in securities sold under repurchase agreements | (4,836,461) | 2,030,599 |
| Repayments of the principal portion of lease liabilities | (425,934) | - |
| Increase (decrease) in other financial liabilities | (434,181) | 501,842 |
| Increase (decrease) in other liabilities | 174,473 | (50,545) |
| Cash dividends | (1,471,134) | (1,397,306) |
| Net cash generated from (used in) financing activities | 6,763 | (1,101,844) |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (193,530) | 77,201 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 101,837 | 2,573,665 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR | 34,110,283 | 31,536,618 |
| CASH AND CASH EQUIVALENTS, END OF THE YEAR | $ 34,212,120 | $ 34,110,283 |

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets is as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Cash and cash equivalents in consolidated balance sheets | $ 8,818,435 | $ 10,023,920 |
| Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents" | 15,448,728 | 15,797,088 |
| Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents" | 9,944,957 | 8,289,275 |
| Cash and cash equivalents in consolidated statements of cash flows | $ 34,212,120 | $ 34,110,283 |

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

## 1. GENERAL INFORMATION

Far Eastern International Bank Ltd. (the "Bank") obtained its license on January 11, 1992 and started its business on April 11, 1992. The Bank (a) accepts deposits and extends loans and guarantees; (b) issues letters of credit, handles domestic and foreign remittances, and accepts commercial drafts; (c) invests in securities and acts as an agent for trading government bonds, corporate bonds and bank debentures; and (d) conducts relevant businesses that are authorized by the relevant authorities.

The operations of the Bank's Trust Department include pecuniary trust, securities trust, real estate trust, creditor's right of money or guarantee, movable property trust and ground right trust and related operations. These operations are regulated under the Banking Act and Trust Enterprise Act.

As of December 31, 2019, the Bank's operating units included the Business Department, International Banking Department, Trust Department, Credit Card Department, Offshore Banking Unit (OBU), and 55 domestic branches, as well as an overseas branch in Hong Kong.

The Bank's shares are listed on the Taiwan Stock Exchange. Global depositary receipts (GDR), which represent ownership of ordinary shares of the Bank, have been listed on the Luxembourg Stock Exchange since January 2014.

## 2. APPROVAL OF FINANCIAL REPORTS

The consolidated financial statements were approved by the Bank's Board of Directors on March 23, 2020.

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

a. The Bank and its subsidiaries' initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except as described below, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Bank and its subsidiaries' accounting policies:

   IFRS 16 "Leases"

   IFRS 16 provides a comprehensive model for the identification of lease agreements and their treatment in the financial statements of lessor and lessee. It supersedes IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of leases

The Bank and its subsidiaries reassesses whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing leases are accounted for in accordance with the transition under IFRS 16.

The Bank and its subsidiaries as lessee

The Bank and its subsidiaries recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, The Bank and its subsidiaries present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. The Bank and its subsidiaries applie IAS 36 to all right-of-use assets. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Bank and its subsidiaries elect to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate.

The weighted-average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 0.77%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

| | |
|---|---|
| The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 | $ 952,272 |
| Less: Recognition exemption for short-term leases | (19,910) |
| Undiscounted amounts on January 1, 2019 | $ 932,362 |
| Discounted amounts using the incremental borrowing rate on January 1, 2019 | $ 915,878 |

The impact on assets, liabilities and equity of January 1, 2019 is set out below:

| | Carrying Amount as of December 31, 2018 | Adjustments Arising from Initial Application | Adjusted Carrying Amount as of January 1, 2019 |
|---|---|---|---|
| Prepaid lease | $ 3,294 | $ (3,294) | $ - |
| Right-of-use assets | - | 902,034 | 902,034 |
| Total effect on assets | | $ 898,740 | |
| Lease liabilities | - | $ 915,878 | 915,878 |
| Total effect on liabilities | | $ 915,878 | |
| Retained earning | 11,649,127 | $ (17,138) | 11,631,989 |

b. The IFRSs endorsed by the FSC for application starting from 2020

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| Amendments to IFRS 3 "Definition of a Business" | January 1, 2020 (Note 1) |
| Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" | January 1, 2020 (Note 2) |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 (Note 3) |

Note 1: The Bank shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Bank shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Bank shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

| New IFRSs | Effective Date Announced by IASB (Note) |
|---|---|
| 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 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2022 |

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

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

### Basis of Preparation

The financial reports have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### Current and Noncurrent Assets and Liabilities

Accounts included in the balance sheets are not classified as current or noncurrent since the major components of the financial reports are from the banking sector, whose operating cycle cannot be reasonably identified. Nevertheless, accounts are properly categorized in accordance with their nature and sequenced by their liquidity. Refer to Note 43 for the maturity analysis of liabilities.

### Basis of Consolidation

a. Principles of preparing consolidated financial reports

The consolidated financial reports incorporate the financial reports of the Bank and its subsidiaries.

Intercompany transactions, balances, income and expenses between the Bank and its subsidiaries have been eliminated upon consolidation.

b. Entities included in consolidated financial reports

Entities included in consolidated financial reports were as follows:

| | | | % of Ownership December 31 | |
|---|---|---|---|---|
| **Investor Company** | **Investee Company** | **Nature of Businesses** | **2019** | **2018** |
| The Bank | Far Eastern Asset Management Co., Ltd. ("FEAMC") | Purchase, evaluation, auction and management of rights of financial institution creditors | 100 | 100 |
| | Far Eastern International Securities Co., Ltd. ("FEIS") | Foreign securities broker, wealth management and offshore fund consulting | 100 | 100 |
| Far Eastern Asset Management Co., Ltd. ("FEAMC") | FEIB Financial Leasing Co., Ltd. ("FEIL") | Leasing operation | 100 | 100 |

In September 2018, FEAMC resolved to reduce its capital to cover accumulated deficit of $516,000 thousand, withdrawn 51,600 thousand outstanding shares. In January 2019, FEAMC has increased cash capital by $1,000,000 thousand. The Bank purchased a total of 100,000 thousand ordinary shares with a par value of $10.

In March 2019, FEIL increased capital by US$20,000 thousand; FEAMC purchased all the shares from the capital increase.

**Foreign Currency**

Foreign-currency assets and liabilities are recorded in their original currencies. Foreign-currency items in net income of domestic operating units are translated into New Taiwan dollars at prevailing exchange rates at the dates of the transactions. For overseas branches (including the OBU), foreign-currency items in net income from transactions settled in currencies other than the entity's functional currency are translated into the entity's functional currency at prevailing exchange rates at the dates of the transactions.

At the balance sheet date, foreign-currency monetary assets and liabilities are translated at prevailing exchange rates, and the exchange differences are recognized as gain or loss.

When foreign-currency assets and liabilities are settled, exchange differences arising from the application of different exchange rates are recognized as gain or loss for the current year.

The financial statements of foreign branches (including foreign branches, the OBU and foreign subsidiaries) are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - at exchange rates prevailing on the balance sheet date. The beginning balance of current year's earnings of foreign branches and the OBU not yet remitted to the head office - the same as the ending balance of the prior years' earnings; and Income and expenses - at average exchange rates for the period. Exchange differences arising from the translation of the financial statements of foreign branches are recognized as other comprehensive income-exchange differences on translating foreign operations.

**Investment Accounted for Using Equity Method**

Investments in associates are accounted for using the equity method of accounting.

An associate is an entity over which the Bank and its subsidiaries have significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

An investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Bank and its subsidiaries' share of the profit or loss and other comprehensive income of the associate. The Bank and its subsidiaries also recognize the changes in the Bank and its subsidiaries' share of equity of associates.

**Property and Equipment**

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

Depreciation is recognized to allocation the cost of assets averagely less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**Intangible Assets**

Intangible assets acquired in a business combination are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets with finite useful lives are reported at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment loss.

**Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Bank and its subsidiaries review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units under a reasonable and consistent basis.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

When the recoverable amount increases in a subsequent period, the reversal of an impairment loss is recognized immediately in profit or loss. The carrying amount of the 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 for the asset or cash-generating unit in prior years.

**Securities Purchased/Sold Under Resale/Repurchase Agreements**

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest expenses and interest revenues are recognized on the accrual basis.

**Financial Instruments**

Financial assets and financial liabilities are recognized when the Bank and its subsidiaries become a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue 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 as expense.

Financial assets

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

a. The Bank and its subsidiaries own financial assets which are classified into the following specified categories:

   1) Financial assets 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, with any gain or loss arising on dividends, interest and re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 42.

   2) Financial assets at amortized cost

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

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

      b) 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 are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Any exchange difference is recognized in profit or loss.

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

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

      b) Financial assets that have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

      A financial asset is credit impaired when significant financial difficulty of the issuer or the borrower; breach of contract; default; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

   3) Investments in debt instruments at FVTOCI

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

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

      b) 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.

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 revenue 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.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Bank and its subsidiaries may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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 gain and loss 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, they will be transferred to retained earnings.

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

b. Impairment of financial assets

The Bank recognizes an allowance for loss for expected credit losses on financial assets at amortized cost, investments in debt instruments that are measured at FVTOCI. For such financial assets, the Bank recognizes lifetime expected credit losses (i.e. ECLs) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the allowance for loss for that financial instrument at an amount equal to 12-month ECLs.

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

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

The Bank evaluates possible losses on specific loans on the basis of the borrowers' financial situation, their ability to repay principals and interests, and the values of collaterals in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" (the "Regulations"). The Regulations require that loans should be categorized by collectability and specify the minimum allowance for possible losses and reserve for guarantee obligations using prescribed percentages.

When a loan or receivable is considered uncollectable, it may be written off on the approval of the Bank's Board of Directors or Managing Directors. The subsequent collections of written-off loans are credited against provision for possible losses.

c. Derecognition of financial assets

The Bank and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial 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 cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

Debt and equity instruments issued by the Bank and its subsidiaries 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. Instruments issued by the Bank and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading. Any gain or loss arising on remeasurement, including interest paid on the financial liability, are recognized in profit or loss.

2) Financial guarantee contracts

The financial guarantee contracts issued by the Bank which are not measured at FVTPL are measured at the higher of the allowance for the expected credit losses or the amortized amount after original recognition. Also, they are according to the "Regulations" issued by the FSC.

b. Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date 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. Derivative financial instruments do not apply hedge accounting are recognized as financial assets or liabilities held for trading. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in derivative host contracts

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract.

**Levies**

A levy imposed by a government is accrued as payables when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time, the liability is recognized progressively.

**Provisions**

Provisions are recognized when the Bank and its subsidiaries have a present obligation as a result of a past event, it is probable that the Bank and its subsidiaries will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

**Revenue Recognition**

Interest revenues from discounts and loans is recorded on the accrual basis. For nonaccrual loans, interest revenues are recognized only when collections on these obligations are made. Under the regulations of the Banking Bureau under the Financial Supervisory Commission, the interest revenues on credits covered by agreements that extend their maturity is recorded as deferred income and recognized upon collection.

Service fee income is recognized as loans are provided or services have been completed.

The gain or loss on the disposal or recovery of acquired receivables is accounted for by the effective interest method.

When the Bank acquires non-performing loans from other financial institutions, revenue related to recovery of non-performing loans is recognized using the cost-recovery method.

**Leases**

2019

The Bank and its subsidiaries assess whether or not an agreement is a lease or contains a lease on the date of the agreement.

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

Right-of-use assets are initially measured at cost. 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 depreciated using the straight-line method over the lease terms.

The lease payable is discounted at the lessee's incremental borrowing rate of interest. 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, should remeasure 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.

2018

Operating lease payments are recognized as expenses on a straight-line basis over the lease terms.

**Retirement Benefit**

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

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

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

**Income Tax**

Income tax expense represents the sum of current tax expense and deferred tax expense.

a. Current tax expense

   Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

   An additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

b. Deferred tax expense

   Deferred tax expense represents adjustments to deferred tax assets and liabilities.

   Deferred tax assets or liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. 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 that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of deferred tax assets is 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 assets to be recovered.

c. Current and deferred tax for the period

Current and deferred tax 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 tax 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 accounting policies, management is required to make essential 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 to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Key Sources of Estimation Uncertainty**

a. Estimating impairment of financial assets

The estimate of impairment for receivables, discount and loans and investments in debt instruments is based on the assumptions about the probability of default and loss given default. The Bank uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Bank's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 42 where the actual future cash inflows are less than expect, a material impairment loss may arise.

b. Estimating impairment of operation rights

Determining whether operation rights are impaired requires an estimation of the value in use of the cash-generating units to which operation rights have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

c. Fair value of financial instruments

The Bank's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, models were based on quoted market rates adjusted for specific features of the instruments. Other financial instruments were valued using a discounted cash flow analysis based on models supported, where possible, by observable market prices or rates. Note 42 provides detailed information about the key models used in the determination of the fair value of financial instruments. The Bank's management believes that the

chosen valuation techniques and models used are appropriate in determining the fair value of financial instruments.

d. Income tax

The use of deferred income tax assets mainly depends on future taxable income and the possible timing and level of taxable temporary differences, along with future income tax strategies.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Cash on hand | $ 3,045,288 | $ 2,904,762 |
| Notes and checks for clearing | 1,560,292 | 2,416,502 |
| Deposits due from other banks | 4,025,930 | 4,665,317 |
| Balance with other banks | 186,925 | 37,339 |
| | $ 8,818,435 | $ 10,023,920 |

## 7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Due from other banks | $ 1,910,024 | $ 12,879,815 |
| New Taiwan dollar reserve deposits - Type A | 13,305,346 | 2,733,295 |
| New Taiwan dollar reserve deposits - Type B | 12,154,570 | 11,745,944 |
| Foreign-currency reserve deposits | 122,650 | 125,269 |
| Due from foreign Central Bank | 110,708 | 58,709 |
| | $ 27,603,298 | $ 27,543,032 |

The reserve deposits are required by law and determined at a prescribed percentage of the monthly average balances. The Type B reserve deposits can be withdrawn only when the balances are adjusted monthly. The Type A and foreign-currency reserve deposits can be withdrawn on demand but bear no interest. Due from foreign Central Bank is the clearing settlement account which the Bank's Hong Kong branch opened in Hong Kong Monetary Authority. The account can be withdrawn on demand but bear no interest.

As of December 31, 2019 and 2018, due from the Central Bank and other banks falling in the definition of IAS 7 "cash and cash equivalents" (i.e. short-term, highly liquid investments, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value); amounted to $15,448,728 thousand and $15,797,088 thousand, respectively, and were included in cash and cash equivalents in the consolidated statements of cash flows.

## 8. FINANCIAL ASSETS AND LIABILITIES AT FVTPL

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Non-derivative financial assets | | |
| Commercial paper | $ 16,843,121 | $ 17,068,878 |
| Government bond | 12,105,443 | 8,324,585 |
| Negotiable certificates of deposit | 1,000,729 | 1,487,146 |
| Stock listed on TWSE and TPEx | 713,681 | 64,115 |
| Beneficiary certificates | 426,828 | - |
| | 31,089,802 | 26,944,724 |
| Derivative financial assets | | |
| Foreign-currency swap contracts | 1,531,416 | 2,292,356 |
| Interest rate swap contracts | 965,175 | 853,399 |
| Currency option contracts | 404,460 | 354,604 |
| Forward exchange contracts | 156,733 | 82,863 |
| Others | 183,578 | 199,892 |
| | 3,241,362 | 3,783,114 |
| Hybrid contract | | |
| Asset swap fixed-income contracts | 13,308,489 | 9,345,266 |
| Credit linked loan contracts | 3,775,289 | 3,829,179 |
| Credit linked bond contracts | 1,360,655 | 2,060,823 |
| Convertible (exchangeable) bonds | 239,844 | 544,395 |
| | 18,684,277 | 15,779,663 |
| Total financial assets mandatorily classified as at FVTPL | $ 53,015,441 | $ 46,507,501 |

Financial liabilities at FVTPL

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Derivative financial liabilities | | |
| Foreign-currency swap contracts | $ 2,321,003 | $ 1,159,611 |
| Interest rate swap contracts | 924,133 | 758,670 |
| Currency option contracts | 386,711 | 355,293 |
| Forward exchange contracts | 143,000 | 225,459 |
| Others | 134,457 | 253,446 |
| Total financial liabilities at FVTPL | $ 3,909,304 | $ 2,752,479 |

Outstanding derivative contract (notional) amounts were as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Foreign-currency swap contracts | $ 307,534,874 | $ 383,201,438 |
| Interest rate swap contracts | 142,257,621 | 134,879,271 |
| Currency option contracts | 129,514,425 | 54,427,257 |
| Seller of credit default swap contracts | 22,717,991 | 26,918,166 |
| Forward exchange contracts | 20,815,787 | 21,234,471 |
| Cross-currency swap contracts | 11,970,370 | 4,428,940 |
| Interest rate option contracts | 3,010,600 | 1,000,000 |
| Bond futures | 632,226 | 225,755 |
| Non-deliverable forward contracts | 362,728 | 61,617 |
| Convertible (exchangeable) bond option contracts | 1,700 | 683,300 |
| Convertible (exchangeable) bond asset swap contracts | - | 317,000 |
| Commodity forward contracts | - | 111,303 |

## 9. FINANCIAL ASSETS AT FVTOCI

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Investments in equity instruments | | |
| Stock listed on TWSE and TPEx | $ 888,270 | $ 930,492 |
| Stock unlisted on TWSE and TPEx | 319,751 | 335,330 |
| | 1,208,021 | 1,265,822 |
| Investments in debt instruments | | |
| Negotiable certificates of deposit from the Central Bank | 63,068,472 | 62,950,846 |
| Government bonds | 36,314,939 | 31,436,956 |
| Bank debentures | 19,892,738 | 20,548,214 |
| Corporate bonds | 7,470,380 | 2,500,626 |
| Mortgage backed securities | 4,354,922 | 1,076,588 |
| | 131,101,451 | 118,513,230 |
| Total financial assets at FVTOCI | $ 132,309,472 | $ 119,779,052 |

The above investments in equity instrument in the form of ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. Therefore, the designated investments are selected to be measured at FVTOCI.

For the above information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, refer to Note 11. For the information of mortgage backed securities, refer to Note 38.

Part of the bank debentures and government bonds have been issued under repurchase agreements. The book value were as follows. Refer to Note 21 for related information.

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Bank debentures | $ 10,281,012 | $ 12,745,196 |
| Government bonds | $ - | $ 2,702,559 |

The Bank recognized dividends revenue from equity instruments at FVTOCI for the years ended December 31, 2019 and 2018 as below:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Dividends revenue recognized in profit or loss | | |
| On equity held at year end | $ 68,859 | $ 68,364 |
| On equity disposed of in current year | 42,236 | 41,506 |
| | $ 111,095 | $ 109,870 |

Because of the consideration of asset allocation, management and adjust the portfolio, the information about disposal of equity instruments at FVTOCI for the years ended December 31, 2019 and 2018 is as below:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Fair value at the date of disposal | $ 1,002,775 | $ 986,402 |
| Accumulated loss transferred to retained earnings due to disposal | $ (70,104) | $ (61,475) |

## 10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Bank debentures | $ 1,942,016 | $ 1,974,153 |
| Corporate bonds | 602,120 | 614,660 |
| | 2,544,136 | 2,588,813 |
| Less: Allowance for loss | 256 | 159 |
| | $ 2,543,880 | $ 2,588,654 |

For the information on financial assets' related credit risk management and impairment at amortized cost, see Note 11.

## 11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

The policy which the Bank implements is to invest only in debt instruments with credit ratings above (and including) investment grade and with impairment low in credit risk. The Bank continued to track external rating information to monitor changes in credit risk of the investments in debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the original recognition.

The Bank considers the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the debt instrument investments.

The investments in debt instruments are classified as financial assets at FVTOCI and financial assets at amortized cost. The information of changes in carrying amount were as follows:

December 31, 2019

| | At FVTOCI | At Amortized Cost | Total |
|---|---|---|---|
| Total carrying amount | $ 130,611,899 | $ 2,544,136 | $ 133,156,035 |
| Less: Allowance for loss | 8,905 | 256 | 9,161 |
| Amortized cost | 130,602,994 | $ 2,543,880 | 133,146,874 |
| Fair value adjustment | 498,457 | | 498,457 |
| | $ 131,101,451 | | $ 133,645,331 |

December 31, 2018

| | At FVTOCI | At Amortized Cost | Total |
|---|---|---|---|
| Total carrying amount | $ 118,563,978 | $ 2,588,813 | $ 121,152,791 |
| Less: Allowance for loss | 4,318 | 159 | 4,477 |
| Amortized cost | 118,559,660 | $ 2,588,654 | 121,148,314 |
| Fair value adjustment | (46,430) | | (46,430) |
| | $ 118,513,230 | | $ 121,101,884 |

The investments in debt instruments indicates normal credit level under assessment. The information of changes in allowance for loss which is 12-month expected credit loss were as follows:

For the year ended December 31, 2019

| | At FVTOCI | At Amortized Cost | Total |
|---|---|---|---|
| Beginning on January 1, 2019 | $ 4,318 | $ 159 | $ 4,477 |
| Purchase of new debt instruments | 4,304 | - | 4,304 |
| Derecognition | (1,087) | - | (1,087) |
| Exchange rate and other changes | 1,370 | 97 | 1,467 |
| Balance on December 31, 2019 | $ 8,905 | $ 256 | $ 9,161 |

For the year ended December 31, 2018

| | At FVTOCI | At Amortized Cost | Total |
|---|---|---|---|
| Beginning on January 1, 2018 | $ 5,247 | $ 270 | $ 5,517 |
| Purchase of new debt instruments | 2,834 | 107 | 2,941 |
| Derecognition | (3,681) | (135) | (3,816) |
| Exchange rate and other changes | (82) | (83) | (165) |
| Balance on December 31, 2018 | $ 4,318 | $ 159 | $ 4,477 |

## 12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Government bonds | $ 6,663,533 | $ 5,641,393 |
| Commercial paper | 1,982,081 | 1,498,448 |
| Negotiable certificates of deposit | 1,300,028 | 1,150,496 |
| | 9,945,642 | 8,290,337 |
| Less: Allowance for loss | 685 | 1,062 |
| | $ 9,944,957 | $ 8,289,275 |
| Resale date | 2020.01.02-2020.02.13 | 2019.01.02-2019.01.24 |
| Resale price | $ 9,949,206 | $ 8,292,920 |

The total carrying amounts shown above have been included as cash and cash equivalents in consolidated statements of cash flows.

## 13. RECEIVABLES, NET

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Credit card | $ 14,711,082 | $ 14,329,475 |
| Factoring | 3,717,153 | 3,017,197 |
| Buying debt receivable | 1,145,586 | 868,097 |
| Interest | 1,050,631 | 1,067,409 |
| Lease receivables | 783,122 | 502,740 |
| Spot exchange transactions | 580,138 | 645,906 |
| Acceptances | 374,546 | 439,359 |
| Proceeds from disposal of securities | 209,929 | 345,671 |
| Entrustment loans | 19,449 | 175,789 |
| Convertible bond redemption | - | 187,414 |
| Others | 503,939 | 435,351 |
| | 23,095,575 | 22,014,408 |
| Less: Allowance for possible losses | 519,712 | 530,031 |
| | $ 22,575,863 | $ 21,484,377 |

The changes in the total carrying amount of receivables and other financial assets were as follows:

| | For the Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | Stage 1 (Note 1) | Stage 2 (Note 2) | Stage 3 (Note 3) | Total |
| Beginning on January 1, 2019 | $ 18,646,370 | $ 71,942 | $ 1,348,982 | $ 20,067,294 |
| Changes due to financial assets recognized at the beginning of the period: | | | | |
| Transfer to Stage 2 | (48,869) | 56,184 | (154) | 7,161 |
| Transfer to Stage 3 | (139,202) | (22,192) | 173,616 | 12,222 |
| Transfer to Stage 1 | 8,928 | (10,795) | (454) | (2,321) |
| Financial assets derecognized in the current period | (6,842,917) | (11,626) | (258,531) | (7,113,074) |
| Purchased or original financial assets | 8,659,916 | 12,202 | 61,207 | 8,733,325 |
| Write-offs | (74,726) | (25,531) | (52,116) | (152,373) |
| Exchange rate and other changes | (36,232) | (732) | (2,453) | (39,417) |
| Balance on December 31, 2019 | $ 20,173,268 | $ 69,452 | $ 1,270,097 | $ 21,512,817 |

| | For the Year Ended December 31, 2018 | | | |
|---|---|---|---|---|
| | Stage 1 (Note 1) | Stage 2 (Note 2) | Stage 3 (Note 3) | Total |
| Beginning on January 1, 2018 | $ 19,954,137 | $ 75,443 | $ 2,123,312 | $ 22,152,892 |
| Changes due to financial assets recognized at the beginning of the period: | | | | |
| Transfer to Stage 2 | (56,753) | 59,977 | (111) | 3,113 |
| Transfer to Stage 3 | (123,156) | (20,729) | 159,007 | 15,122 |
| Transfer to Stage 1 | 8,504 | (11,871) | (269) | (3,636) |
| Financial assets derecognized in the current period | (9,075,785) | (13,015) | (345,091) | (9,433,891) |
| Purchased or original financial assets | 8,021,749 | 10,727 | 55,100 | 8,087,576 |
| Write-offs | (83,437) | (27,894) | (657,815) | (769,146) |
| Exchange rate and other changes | 1,111 | (696) | 14,849 | 15,264 |
| Balance on December 31, 2018 | $ 18,646,370 | $ 71,942 | $ 1,348,982 | $ 20,067,294 |

Note 1: 12-Month ECLs.

Note 2: Lifetime ECLs.

Note 3: Lifetime ECLs (credit impairment on financial assets).

The changes in the allowance of receivables and other financial assets were as follows:

| | For the Year Ended December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment under the Regulations | Total |
| January 1, 2019 | $ 27,781 | $ 6,148 | $ 373,334 | $ 407,263 | $ 122,803 | $ 530,066 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (15) | 5,727 | (21) | 5,691 | - | 5,691 |
| Transfer to Stage 3 | (44) | (1,414) | 50,183 | 48,725 | - | 48,725 |
| Transfer to Stage 1 | 4 | (1,261) | (53) | (1,310) | - | (1,310) |
| Financial assets derecognized in the current period | (10,035) | (1,115) | (44,560) | (55,710) | - | (55,710) |
| Purchased or original financial assets | 18,437 | 1,535 | 17,947 | 37,919 | - | 37,919 |
| The difference of impairment under the Regulations | - | - | - | - | (28,382) | (28,382) |
| Write-offs | (74,726) | (25,531) | (52,116) | (152,373) | - | (152,373) |
| Exchange rate and other changes | 74,391 | 23,254 | 37,848 | 135,493 | - | 135,493 |
| December 31, 2019 | $ 35,793 | $ 7,343 | $ 382,562 | $ 425,698 | $ 94,421 | $ 520,119 |

| | For the Year Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment under the Regulations | Total |
| January 1, 2018 | $ 46,393 | $ 13,104 | $ 951,489 | $1,010,986 | $ 145,266 | $1,156,252 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (69) | 5,136 | (25) | 5,042 | - | 5,042 |
| Transfer to Stage 3 | (144) | (3,792) | 40,046 | 36,110 | - | 36,110 |
| Transfer to Stage 1 | 3 | (1,922) | (53) | (1,972) | - | (1,972) |
| Financial assets derecognized in the current period | (26,252) | (1,916) | (51,209) | (79,377) | - | (79,377) |
| Purchased or original financial assets | 8,227 | 952 | 21,392 | 30,571 | - | 30,571 |
| The difference of impairment under the Regulations | - | - | - | - | (22,463) | (22,463) |
| Write-offs | (83,437) | (27,894) | (657,815) | (769,146) | - | (769,146) |
| Exchange rate and other changes | 83,060 | 22,480 | 69,509 | 175,049 | - | 175,049 |
| December 31, 2018 | $ 27,781 | $ 6,148 | $ 373,334 | $ 407,263 | $ 122,803 | $ 530,066 |

## 14. DISCOUNTS AND LOANS, NET

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Negotiations, discounts and overdraft | $ 229,205 | $ 189,594 |
| Short-term loans | 73,298,008 | 73,855,519 |
| Medium-term loans | 140,194,318 | 140,748,897 |
| Long-term loans | 175,722,490 | 169,517,735 |
| Overdue receivable | 756,407 | 611,272 |
| | 390,200,428 | 384,923,017 |
| Less: Allowance for possible losses | 5,575,611 | 5,234,899 |
| | $ 384,624,817 | $ 379,688,118 |

The details of the provision for possible losses were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Provision for possible losses - discounts and loans | $ 706,395 | $ 833,097 |
| Provision for possible losses - receivables and other financial assets | 145,969 | 122,026 |
| Provision for possible losses - reserve for commitment and guarantee obligations | 68,487 | 18,561 |
| Amounts recovered - discounts and loans | (224,862) | (229,379) |
| Amounts recovered - receivables and other financial assets | (184,241) | (229,502) |
| | $ 511,748 | $ 514,803 |

The changes in the total carrying amount of discounts and loan were as follows:

| | For the Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | Stage 1 (Note 1) | Stage 2 (Note 2) | Stage 3 (Note 3) | Total |
| Beginning on January 1, 2019 | $ 380,999,840 | $ 496,749 | $ 3,426,428 | $ 384,923,017 |
| Changes due to financial assets recognized at the beginning of the period: | | | | |
| Transfer to Stage 2 | (990,256) | 900,768 | (4,805) | (94,293) |
| Transfer to Stage 3 | (1,374,686) | (80,848) | 2,968,331 | 1,512,797 |
| Transfer to Stage 1 | 142,323 | (154,104) | (7,929) | (19,710) |
| Financial assets derecognized in the current period | (100,060,743) | (145,469) | (1,000,100) | (101,206,312) |
| Purchased or original financial assets | 105,483,020 | 81,728 | 339,468 | 105,904,216 |
| Write-offs | (78,961) | (36,783) | (262,552) | (378,296) |
| Exchange rate and other changes | (441,429) | 731 | (293) | (440,991) |
| Balance on December 31, 2019 | $ 383,679,108 | $ 1,062,772 | $ 5,458,548 | $ 390,200,428 |

| | For the Year Ended December 31, 2018 | | | |
|---|---|---|---|---|
| | Stage 1 (Note 1) | Stage 2 (Note 2) | Stage 3 (Note 3) | Total |
| Beginning on January 1, 2018 | $ 347,782,666 | $ 1,423,658 | $ 3,540,559 | $ 352,746,883 |
| Changes due to financial assets recognized at the beginning of the period: | | | | |
| Transfer to Stage 2 | (392,867) | 363,684 | (58) | (29,241) |
| Transfer to Stage 3 | (604,008) | (370,042) | 821,752 | (152,298) |
| Transfer to Stage 1 | 97,281 | (113,824) | (1,292) | (17,835) |
| Financial assets derecognized in the current period | (86,740,476) | (815,201) | (815,269) | (88,370,946) |
| Purchased or original financial assets | 120,569,098 | 48,464 | 273,091 | 120,890,653 |
| Write-offs | (96,709) | (40,686) | (396,228) | (533,623) |
| Exchange rate and other changes | 384,855 | 696 | 3,873 | 389,424 |
| Balance on December 31, 2018 | $ 380,999,840 | $ 496,749 | $ 3,426,428 | $ 384,923,017 |

Note 1: 12-Month ECLs.

Note 2: Lifetime ECLs.

Note 3: Lifetime ECLs (credit impairment on financial assets).

The changes in the allowance of discounts and loan were as follows:

| | For the Year Ended December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment Under the Regulations | Total |
| January 1, 2019 | $ 597,178 | $ 86,709 | $ 908,251 | $ 1,592,138 | $ 3,642,761 | $ 5,234,899 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (2,564) | 64,912 | (211) | 62,137 | - | 62,137 |
| Transfer to Stage 3 | (4,282) | (5,425) | 243,036 | 233,329 | - | 233,329 |
| Transfer to Stage 1 | 145 | (20,376) | (2,559) | (22,790) | - | (22,790) |
| Financial assets derecognized in the current period | (175,631) | (37,332) | (265,165) | (478,128) | - | (478,128) |
| Purchased or original financial assets | 266,348 | 33,450 | 126,285 | 426,083 | - | 426,083 |
| The difference of impairment under the Regulations. | - | - | - | - | 291,286 | 291,286 |
| Write-offs | (78,961) | (36,783) | (262,552) | (378,296) | - | (378,296) |
| Exchange rate and other changes | 88,353 | 16,756 | 101,982 | 207,091 | - | 207,091 |
| December 31, 2019 | $ 690,586 | $ 101,911 | $ 849,067 | $ 1,641,564 | $ 3,934,047 | $ 5,575,611 |

| | For the Year Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment Under the Regulations | Total |
| January 1, 2018 | $ 617,108 | $ 67,265 | $ 993,274 | $ 1,677,647 | $ 3,174,273 | $ 4,851,920 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (1,341) | 55,586 | (49) | 54,196 | - | 54,196 |
| Transfer to Stage 3 | (1,090) | (2,964) | 179,929 | 175,875 | - | 175,875 |
| Transfer to Stage 1 | 100 | (12,961) | (678) | (13,539) | - | (13,539) |
| Financial assets derecognized in the current period | (252,878) | (30,940) | (82,132) | (365,950) | - | (365,950) |
| Purchased or original financial assets | 235,269 | 27,805 | 85,284 | 348,358 | - | 348,358 |
| The difference of impairment under the Regulations | - | - | - | - | 468,488 | 468,488 |
| Write-offs | (96,709) | (40,686) | (396,228) | (533,623) | - | (533,623) |
| Exchange rate and other changes | 96,719 | 23,604 | 128,851 | 249,174 | - | 249,174 |
| December 31, 2018 | $ 597,178 | $ 86,709 | $ 908,251 | $ 1,592,138 | $ 3,642,761 | $ 5,234,899 |

## 15. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Amount | % of Ownership | Amount | % of Ownership |
| Dah Chung Bills Finance Corp. | $ 1,699,389 | 22.06 | $ 1,667,505 | 22.06 |
| Deutsche Far Eastern Asset Management Co., Ltd. | 113,133 | 40.00 | 108,845 | 40.00 |
| | $ 1,812,522 | | $ 1,776,350 | |

The above associates are individually immaterial to the Bank and its subsidiaries; the share of the Bank and its subsidiaries in these associates' financial performance was summarized as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Net income from continuing operation | $ 102,585 | $ 92,467 |
| Other comprehensive income | 5,161 | (22,620) |
| Total comprehensive income | $ 107,746 | $ 69,847 |

## 16. OTHER FINANCIAL ASSETS, NET

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Nonaccrual loans other than discounts and loans | $ 645 | $ 70 |
| Less: Allowance for possible losses (Note 13) | 407 | 35 |
| | 238 | 35 |
| Refundable deposits | 3,525,679 | 2,945,944 |
| Less: Allowance for loss | 1,578 | 446 |
| | 3,524,101 | 2,945,498 |
| Interbank clearing account | 1,000,922 | 700,805 |
| Deposits with original maturity more than 3 months | 864,400 | 894,600 |
| Restricted assets | 157,911 | 154,438 |
| | $ 5,547,572 | $ 4,695,376 |

The above restricted assets are margin and collection charged from customers placed in specified current deposit of FEIL.

The assets pledged as collaterals are disclosed in Note 38.

## 17. PROPERTY AND EQUIPMENT, NET

| | For the Year Ended December 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land | Buildings and Improvements | Computer Equipment | Transportation Equipment | Miscellaneous Equipment | Equipment Prepayment | Total |
| Cost | | | | | | | |
| Beginning balance | $ 1,447,433 | $ 1,130,563 | $ 1,838,050 | $ 2,403 | $ 1,529,054 | $ 48,745 | $ 5,996,248 |
| Additions | - | 30,438 | 205,275 | - | 103,730 | 75,943 | 415,386 |
| Disposals | - | (24,159) | (100,805) | (989) | (38,727) | - | (164,680) |
| Others | - | 20,351 | 25,328 | - | (16,799) | (25,966) | 2,914 |
| Ending balance | 1,447,433 | 1,157,193 | 1,967,848 | 1,414 | 1,577,258 | 98,722 | 6,249,868 |
| Accumulated depreciation | | | | | | | |
| Beginning balance | - | 587,243 | 1,333,652 | 2,283 | 1,340,639 | - | 3,263,817 |
| Depreciation | - | 24,046 | 148,376 | 50 | 61,748 | - | 234,220 |
| Disposals | - | (24,159) | (100,803) | (989) | (38,414) | - | (164,365) |
| Others | - | 4,508 | (617) | - | (986) | - | 2,905 |
| Ending balance | - | 591,638 | 1,380,608 | 1,344 | 1,362,987 | - | 3,336,577 |
| Net ending balance | $ 1,447,433 | $ 565,555 | $ 587,240 | $ 70 | $ 214,271 | $ 98,722 | $ 2,913,291 |

| | For the Year Ended December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land | Buildings and Improvements | Computer Equipment | Transportation Equipment | Miscellaneous Equipment | Equipment Prepayment | Total |
| Cost | | | | | | | |
| Beginning balance | $ 1,581,625 | $ 1,247,852 | $ 1,714,492 | $ 2,542 | $ 1,507,341 | $ 16,565 | $ 6,070,417 |
| Additions | - | 4,605 | 161,038 | 79 | 74,573 | 39,940 | 280,235 |
| Disposals | (134,192) | (118,134) | (27,916) | (218) | (57,298) | - | (337,758) |
| Others | - | (3,760) | (9,564) | - | 4,438 | (7,760) | (16,646) |
| Ending balance | 1,447,433 | 1,130,563 | 1,838,050 | 2,403 | 1,529,054 | 48,745 | 5,996,248 |
| Accumulated depreciation | | | | | | | |
| Beginning balance | - | 624,555 | 1,225,695 | 2,420 | 1,328,355 | - | 3,181,025 |
| Depreciation | - | 22,438 | 134,448 | 81 | 65,641 | - | 222,608 |
| Disposals | - | (56,166) | (27,914) | (218) | (56,284) | - | (140,582) |
| Others | - | (3,584) | 1,423 | - | 2,927 | - | 766 |
| Ending balance | - | 587,243 | 1,333,652 | 2,283 | 1,340,639 | - | 3,263,817 |
| Net ending balance | $ 1,447,433 | $ 543,320 | $ 504,398 | $ 120 | $ 188,415 | $ 48,745 | $ 2,732,431 |

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

| | |
|---|---|
| Buildings and improvements | 5 to 55 years |
| Computer equipment | 3 to 7 years |
| Transportation equipment | 3 to 7 years |
| Miscellaneous equipment | 3 to 20 years |

## 18. LEASE ARRANGEMENTS

The Bank and its subsidiaries lease buildings mainly for the use of the Bank's branches and offices. Right-of-use assets, lease liabilities and recognition of depreciation expense are as follows:

a. Net carrying amount of right-of-use assets was $1,025,968 thousand at December 31, 2019.

   Additions to right-of-use assets was $562,742 thousand and depreciation was $427,533 thousand for the 2019.

b. Carrying amount of lease liabilities was $1,040,827 thousand at December 31, 2019 and interest expense was $7,717 thousand. The range of discount rate was 0.70%-5.27%.

c. Other lease information

   2019

| | For the Year Ended December 31, 2019 |
|---|---|
| Short-term lease expenses | $ 23,385 |
| Leases of low value assets | $ 5,058 |
| Total cash outflow for leases | $ 462,094 |

2018

Future minimum lease payments under non-cancellable operating leases are as follows:

| | December 31, 2018 |
|---|---|
| Not later than 1 year | $ 374,568 |
| Later than 1 year and not later than 5 years | 528,106 |
| Later than 5 years | 49,598 |
| | $ 952,272 |

## 19. INTANGIBLE ASSETS, NET

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Operation rights | $ 1,538,210 | $ 1,538,210 |
| Fair value of core deposits | 428,887 | 428,887 |
| | 1,967,097 | 1,967,097 |
| Less: Accumulated amortization | 292,978 | 267,495 |
| | $ 1,674,119 | $ 1,699,602 |

In April 2010, the Bank acquired the assets and liabilities of Chinfon Bank, classified as Package B of Chinfon Bank, through a bidding process. The acquired management and operation rights of Chinfon Bank's branches have indefinite useful life, while the fair value of core deposits is amortized over 4 to 15 years.

The Bank assessed the operation rights of branches have indefinite useful life, and the operation rights are expected to generate net cash flows continuously; therefore, the operation rights are not amortized annually.

The Bank's operation rights are tested for impairment in 2019 and 2018, the recoverable amount is determined based on the net fair value. To reflect risks specific to the operation right, the net fair value was then calculated using the discounted cash flows based on the Bank's financial forecast, and no impairment after tasted. For the years ended December 31, 2019 and 2018, the Bank did not recognize any impairment loss on its operation rights.

## 20. DUE TO THE CENTRAL BANK AND OTHER BANKS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Call loans to banks | $ 11,126,410 | $ 15,665,915 |
| Due to banks | 10,720 | 60,808 |
| | $ 11,137,130 | $ 15,726,723 |

## 21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Bank debentures (Note 9) | $ 9,675,529 | $ 12,015,591 |
| Government bonds (Note 9) | - | 2,650,203 |
| | $ 9,675,529 | $ 14,665,794 |
| Repurchase date | 2020.01.06-2020.02.20 | 2019.01.07-2019.01.29 |
| Repurchase price | $ 9,710,021 | $ 14,704,830 |

## 22. PAYABLES

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Accrued expenses | $ 1,740,250 | $ 1,559,136 |
| Notes and checks for clearing | 1,560,292 | 2,416,502 |
| Accrued interest | 1,009,003 | 1,135,458 |
| Accounts payable factoring | 822,352 | 372,420 |
| Liabilities on bank acceptances | 374,546 | 439,359 |
| Securities settlement payables | 363,319 | 721,949 |
| Tax payable | 106,883 | 103,386 |
| Others | 726,852 | 517,012 |
| | $ 6,703,497 | $ 7,265,222 |

## 23. DEPOSITS AND REMITTANCES

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Checking deposits | $ 3,246,814 | $ 4,697,065 |
| Demand deposits | 73,540,843 | 67,897,773 |
| Demand savings | 76,750,477 | 68,974,857 |
| Time savings | 75,870,192 | 77,180,132 |
| Negotiable certificates of deposit | 1,895,500 | 6,040,500 |
| Time deposits | 306,035,349 | 283,567,017 |
| Remittances | 56,965 | 50,628 |
| | $ 537,396,140 | $ 508,407,972 |

## 24. BANK DEBENTURES

### Domestic Bank Debentures

| Item | Issuance Period | Note | December 31 2019 | December 31 2018 |
|---|---|---|---|---|
| Subordinated bank debentures - seven-year maturity; first issue in 2012 | 2012.06.27-2019.06.27 | Interest payable on June 27 each year; fixed interest rate at 1.75% | $ - | $ 3,000,000 |
| Subordinated bank debentures - seven-year maturity; first issue in 2013 | 2013.11.06-2020.11.06 | Interest payable on November 6 each year fixed interest rate at 2.10% | 4,000,000 | 4,000,000 |
| Subordinated bank debentures - seven-year maturity; first issue in 2014 | 2014.12.23-2021.12.23 | Interest payable on December 23 each year fixed interest rate at 2.05% | 1,100,000 | 1,100,000 |
| Subordinated bank debentures - seven-year maturity; first issue in 2015 | 2015.09.30-2022.09.30 | Interest payable on September 30 each year fixed interest rate at 1.95% | 3,000,000 | 3,000,000 |
| Subordinated bank debentures - seven-year maturity; first issue in 2016 | 2016.09.27-2023.09.27 | Interest payable on September 27 each year fixed interest rate at 1.55% | 4,000,000 | 4,000,000 |
| Subordinated bank debentures - perpetual; first issue in 2018 | 2018.09.18- | Interest payable on September 18 with fixed interest rate at 3.2% per annum | 2,900,000 | 2,900,000 |
| General bank debentures - five-year maturity; first issue in 2019 | 2019.02.21-2024.02.21 | Interest payable on February 21 each year fixed interest rate at 0.95% | 2,500,000 | - |
| Subordinated bank debentures - seven-year maturity; second issue in 2019 | 2019.07.30-2026.07.30 | Interest payable on July 30 each year fixed interest rate at 1.15% | 2,000,000 | - |
| Subordinated bank debentures - ten-year maturity; second issue in 2019 | 2019.07.30-2029.07.30 | Interest payable on July 30 each year fixed interest rate at 1.25% | 2,000,000 | - |
| Subordinated bank debentures - five-year maturity; third issue in 2019 | 2019.09.26-2024.09.26 | Interest payable on September 26 each year fixed interest rate at 0.75% | 3,500,000 | - |
| Subordinated bank debentures - seven-year maturity; 1-1 issue in 2005; acquired from Chinfon Bank | Matured on 2012.06.28 | - | 1,660 | 1,660 |
| Subordinated bank debentures - seven-year maturity; 1-1 issue in 2002; acquired from Chinfon Bank | Matured on 2009.06.28 | - | 240 | 240 |
| Total bank debentures | | | $ 25,001,900 | $ 18,001,900 |

The Bank issued the first issuance of perpetual non-cumulative subordinated bank debentures in 2018 in the amount of $2,900,000 thousand in September 18, 2018 with an interest rate of 3.20% and the interest is paid once a year under the interest payment condition. After five years of issuance, the Bank has the right to redeem in advance under the regulation of issuance and the permission by authorities.

## 25. OTHER FINANCIAL LIABILITIES

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Bank loan - December 31, 2019: 1.18%-6.00%; December 31, 2018: 1.18%-6.50% | $ 498,326 | $ 1,012,313 |
| Deposit received | 483,609 | 343,862 |
| Commercial paper | 19,988 | 79,929 |
| | $ 1,001,923 | $ 1,436,104 |

The status of commercial paper was as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| International Bills Finance Corp. | $ 20,000 | $ 50,000 |
| Mega Bills Finance Corp. | - | 30,000 |
| Less: Unamortized discount on commercial paper | 12 | 71 |
| | $ 19,988 | $ 79,929 |
| Interest rates | 1.18% | 1.18%-1.20% |

## 26. PROVISIONS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Reserve for employee benefits liability - defined benefit plans (Note 27) | $ 906,339 | $ 933,914 |
| Reserve for obligations guarantee | 277,009 | 212,903 |
| Reserve for financing commitment | 51,856 | 47,957 |
| | $ 1,235,204 | $ 1,194,774 |

The changes in provision for losses on guarantees and financing commitments are as follows:

| | For the Year Ended December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment Under the Regulations | Total |
| January 1, 2019 | $ 33,337 | $ 12,368 | $ 2,252 | $ 47,957 | $ 212,903 | $ 260,860 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (4) | 8,230 | (13) | 8,213 | - | 8,213 |
| Transfer to Stage 3 | - | (13) | 562 | 549 | - | 549 |
| Transfer to Stage 1 | 8 | (8,400) | (222) | (8,614) | - | (8,614) |
| Financial assets derecognized in the current period | (4,318) | (1,418) | (479) | (6,215) | - | (6,215) |
| Purchased or original financial assets | 10,699 | 1,080 | 596 | 12,375 | - | 12,375 |
| The difference of impairment under the Regulations | - | - | - | - | 64,106 | 64,106 |
| Exchange rate and other changes | (1,742) | (143) | (524) | (2,409) | - | (2,409) |
| December 31, 2019 | $ 37,980 | $ 11,704 | $ 2,172 | $ 51,856 | $ 277,009 | $ 328,865 |

| | For the Year Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment Under the Regulations | Total |
| January 1, 2018 | $ 40,591 | $ 13,125 | $ 1,853 | $ 55,569 | $ 186,369 | $ 241,938 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (25) | 8,694 | (52) | 8,617 | - | 8,617 |
| Transfer to Stage 3 | (2) | (36) | 665 | 627 | - | 627 |
| Transfer to Stage 1 | 6 | (9,763) | (599) | (10,356) | - | (10,356) |
| Financial assets derecognized in the current period | (4,435) | (2,201) | (696) | (7,332) | - | (7,332) |
| Purchased or original financial assets | 9,816 | 1,277 | 117 | 11,210 | - | 11,210 |
| The difference of impairment under the Regulations | - | - | - | - | 26,534 | 26,534 |
| Exchange rate and other changes | (12,614) | 1,272 | 964 | (10,378) | - | (10,378) |
| December 31, 2018 | $ 33,337 | $ 12,368 | $ 2,252 | $ 47,957 | $ 212,903 | $ 260,860 |

## 27. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. For employees subjected to LPA, the Bank makes contributions to their individual pension accounts in the Department of Labor at 6% of their monthly salaries and wages.

b. Defined benefit plans

The Bank adopted the defined benefit plan under the Labor Standards Law, under which 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 2% 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 pension fund balance. If the balance 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 before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds (the "Bureau") under the Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

The amounts of employee benefits included in the consolidated balance sheets were as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Present value of defined benefit obligation | $ 1,281,482 | $ 1,276,052 |
| Fair value of plan assets | (375,143) | (342,138) |
| Reserve for employee benefits liability | $ 906,339 | $ 933,914 |

Movements in defined benefit plan were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Employee Benefit |
|---|---|---|---|
| Balance at January 1, 2019 | $ 1,276,052 | $ (342,138) | $ 933,914 |
| Service cost | | | |
| Current service cost | 9,296 | - | 9,296 |
| Net interest expense (revenue) | 15,608 | (4,231) | 11,377 |
| Recognized in profit or loss | 24,904 | (4,231) | 20,673 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (11,051) | (11,051) |
| Actuarial loss - experience adjustments | 11,137 | - | 11,137 |
| Actuarial loss - changes in financial assumptions | 30,409 | - | 30,409 |
| Recognized in other comprehensive income | 41,546 | (11,051) | 30,495 |
| Contributions from the employer | - | (17,723) | (17,723) |
| Contributions from provisions | (61,020) | - | (61,020) |
| Balance at December 31, 2019 | $ 1,281,482 | $ (375,143) | $ 906,339 |
| Balance at January 1, 2018 | $ 1,259,285 | $ (318,538) | $ 940,747 |
| Service cost | | | |
| Current service cost | 9,295 | - | 9,295 |
| Net interest expense (revenue) | 21,406 | (5,609) | 15,797 |
| Recognized in profit or loss | 30,701 | (5,609) | 25,092 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (7,266) | (7,266) |
| Actuarial benefit - experience adjustments | (662) | - | (662) |
| Actuarial loss - changes in financial assumptions | 62,571 | - | 62,571 |
| Actuarial benefit - changes in demographic assumptions | (7,986) | - | (7,986) |
| Recognized in other comprehensive income | 53,923 | (7,266) | 46,657 |
| Contributions from the employer | - | (18,715) | (18,715) |
| Contributions from plan assets | (7,990) | 7,990 | - |
| Contributions from provisions | (59,867) | - | (59,867) |
| Balance at December 31, 2018 | $ 1,276,052 | $ (342,138) | $ 933,914 |

The calculation of the present value of the defined benefit obligation was carried out by qualified actuaries. The principal assumptions used in the actuarial valuations were as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Discount rates | 1.00% | 1.25% |
| Expected rates of salary increase | 3.00% | 3.00% |

Had there been a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remained constant, the present value of the defined benefit obligation would have increased (decreased) as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Discount rates | | |
| 0.50% increase | $ (59,769) | $ (62,571) |
| 0.50% decrease | $ 64,148 | $ 67,350 |
| Expected rates of salary increase | | |
| 0.50% increase | $ 62,587 | $ 65,876 |
| 0.50% decrease | $ (58,960) | $ (61,872) |

The sensitivity analysis presented above might not have been representative of the actual change in the present value of the defined benefit obligation because it was unlikely that the change in assumptions occurred in isolation of one another, i.e., some of the assumptions might have been correlated.

The expected contribution to the plan for the next year is $18,466 thousand, and the average duration of the defined benefit obligation is 9.7 years.

The Bank is exposed to the following risks on its defined benefit plan managed by the Bureau:

1) Risk on investment: The investment income of benefit plan assets affects the plan fair value and contribution status. That is, a higher investment income increases the fair value of plan assets and decreases net defined benefits liabilities (or increases net assets) and thus improves contribution status. In contrast, a lower investment income or investment loss is unfavorable to the contribution status of benefit the plan.

2) Risk on interest fluctuations: The discount rate used in calculating the present value of defined benefit obligations is determined by the mainly pertains to the yields of the ROC government. A decrease in discount rate will increase the present value of defined benefit obligations.

3) Risk on salary fluctuations: As the defined benefit obligation was determined by the salaries of plan members before their retirement, the expected increase in salary should then be considered in the calculation. Thus, an increase in the expected rate for salary increase will result in a rise in the present values of defined benefit obligations.

## 28. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Authorized shares (in thousands) | 4,500,000 | 4,500,000 |
| Authorized capital | $ 45,000,000 | $ 45,000,000 |
| Issued and paid shares (in thousands) | 3,355,819 | 3,269,186 |
| Issued capital | $ 33,558,193 | $ 32,691,859 |

Issued ordinary shares with par value of $10 are entitled to the right to vote and to receive dividends.

At the shareholders' meeting held on June 19, 2019, the Bank resolved to increase its capital by using its undistributed earnings of $866,334 thousand. As a result, the Bank issued 86,633 thousand ordinary shares at a par value of NT$10. After the issuance, the share capital of the Bank amounted to $33,558,193 thousand.

At the shareholders' meeting held on June 20, 2018, the Bank resolved to increase its capital by declaring a stock dividend of $862,573 thousand. As a result, the Bank issued additional 86,257 thousand ordinary shares at a par value of NT$10. After the issuance, the share capital of the Bank amounted to $32,691,859 thousand.

Global depository receipts

As of December 31, 2019, the outstanding GDRs were 555 thousand units, equivalent to 11,092 thousand ordinary shares

b. Capital surplus

The capital surplus arising from shares issued in excess of par and treasury stock transactions may be used to offset a deficit, or, if the Bank has no deficit, distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year). However, capital surplus arising from investment accounted for using equity method may not be used for any purpose.

c. Retained earnings and dividend policy

The appropriations of earnings were approved in the shareholders' meetings held on June 20, 2018. In case of net income after settlement of accounts for each fiscal year, the Bank shall recover all the losses incurred in the previous years, if any, before setting aside a legal reserve of thirty percent (30%) of the net profit and appropriating, according to law and regulations, a special reserve shall be retained, and shall first be distributed to the dividends of Preferred Stock. The remaining amount together with the accumulated retained profits of the last year and the reversals of special reserves are available for distribution as dividends for Common Stock. The dividends for Common Stock shall be distributed at least thirty per cent (30%) of the remaining amount. The Board of Directors shall prepare the earnings distribution in accordance with the existing circumstances at the time, taking into account the future development plan of the Bank. Any allocation of cash dividend shall, in principle, be no less than 10% of the total dividends to be distributed that year.

The Banking Law provides that, unless legal reserve reached the Bank's paid-in capital, cash dividends are limited to 15% of paid-in capital.

Under the Company Law, legal reserve should be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. According to an amendment to the Company Law, when the Bank has no deficit and its legal reserve has exceeded 25% of its paid-in capital, the excess may be distributed in the form of stocks or cash.

An amount equal to the net debit balance of other items of shareholders' equity (including exchange differences on translating foreign operations, unrealized gain (loss) on financial assets at FVTOCI) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The appropriations of earnings for the 2018 and 2017, which were approved in the shareholders' meetings on June 19, 2019 and June 20, 2018, respectively, were as follows:

| | Appropriation of Earnings | | Dividends Per Share (Dollars) | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Legal reserve | $ 1,057,260 | $ 856,165 | | |
| Special reserve | 39,804 | (214,292) | | |
| Cash dividends | 1,471,134 | 1,397,306 | $0.450 | $0.439 |
| Stock dividends | 866,334 | 862,573 | 0.265 | 0.271 |

The appropriations of earnings for 2019 had been proposed by the Bank's Board of Directors on March 23, 2020. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | Dividends Per Share (NT$) |
|---|---|---|
| Legal reserve | $ 1,089,777 | |
| Special reserve | (52,672) | |
| Cash dividends | 1,570,524 | $0.468 |
| Stock dividends | 922,851 | 0.275 |

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 11, 2020.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, a special reserve accounted for 0.5% to 1.0% of the Bank's annual earnings should be made when making the appropriations of earnings for the years from 2016 to 2018 to cope with the staff transformation due to financial technology development. According to Rule No. 10802714560 issued by the FSC on May 15, 2019, Public Banks can choose not to set the above special reserve, but still need to budget for paying costs of employee transformation and training and for possible obligations of employees.

From 2017, the Public Banks can reverse the same amount of the special reserve appropriated in 2016 to 2018 for the expenditure of employee transformation, settlement or educational training to enhance the ability of employees with respect to development of financial technology or business.

d. Other equity items

Unrealized gain or loss on financial assets measured at FVTOCI:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance, beginning of year | $ (106,489) | $ 196,065 |
| Recognized for the year | | |
| Unrealized gain or loss | | |
| Debt instruments | 551,246 | (280,322) |
| Equity instruments | (4,395) | (37,126) |
| Share of other comprehensive income (loss) of associates for using the equity method | 5,632 | (22,016) |
| Investment in debt instruments transferred to current income (loss) due to disposal | (6,359) | (28,621) |
| Other comprehensive income recognized for the year | 546,124 | (368,085) |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Gain (loss) of equity instruments transferred to retained earnings due to disposal | $ 68,461 | $ 65,531 |
| Balance, ending of year | $ 508,096 | $ (106,489) |

(Concluded)

## 29. NET INTERESTS

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Interest revenues | | |
| Discounts and loans | $ 9,172,982 | $ 8,726,303 |
| Securities | 1,444,986 | 1,252,950 |
| Credit cards | 820,738 | 818,190 |
| Others | 435,852 | 518,794 |
| | 11,874,558 | 11,316,237 |
| Interest expenses | | |
| Deposits and remittances | 5,089,158 | 4,387,085 |
| Bank debentures | 393,100 | 368,192 |
| Structured products | 369,062 | 299,317 |
| Bonds under repurchase agreements | 266,015 | 243,164 |
| Due to other banks | 252,885 | 286,192 |
| Others | 46,526 | 51,484 |
| | 6,416,746 | 5,635,434 |
| | $ 5,457,812 | $ 5,680,803 |

## 30. NET SERVICE FEE INCOME

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Service fee income | | |
| Wealth management | $ 1,487,675 | $ 1,383,464 |
| Credit business | 1,125,642 | 1,045,171 |
| Credit cards | 974,699 | 978,553 |
| Others | 696,724 | 483,425 |
| | 4,284,740 | 3,890,613 |
| Service fee expense | | |
| Benefit and chargeback fee | 197,177 | 199,360 |
| Visa and Master | 149,320 | 157,537 |
| Promotion service fee | 102,763 | 35,665 |
| Agency service fee | 69,137 | 72,938 |
| National credit card center fee | 63,675 | 64,684 |
| Interbank service fee | 47,135 | 46,122 |
| Credit investigation | 42,251 | 46,522 |
| Others | 141,922 | 137,012 |
| | 813,380 | 759,840 |
| | $ 3,471,360 | $ 3,130,773 |

## 31. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Realized gain | $ 1,184,072 | $ 1,354,054 |
| Valuation gain (loss) | 593,942 | (220,958) |
| Net interests | 380,443 | 350,232 |
| Dividends | 16,434 | 22,632 |
| | $ 2,174,891 | $ 1,505,960 |

## 32. EMPLOYEE BENEFITS EXPENSE

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Salaries | $ 3,323,300 | $ 3,095,932 |
| Labor and health insurance | 223,775 | 218,586 |
| Post-employment benefits (Note 27) | 150,030 | 150,633 |
| Others | 367,258 | 373,007 |
| | $ 4,064,363 | $ 3,838,158 |

According to the Bank's Articles, from the Bank's income before income tax, remuneration of directors and employees' compensation, the Bank should retain 3.5%-4.5% for employees' compensation and no greater than 1.5% for remuneration of directors. On March 23, 2020, the Bank's Board of Directors resolved to pay employees' compensation of $162,611 thousand and remuneration of directors of $54,204 thousand for the year ended December 31, 2019, both in cash. If there is a change in the amounts after the financial statements for the year ended December 31, 2019 were authorized for issue, the differences will be recorded as a change in the accounting estimate and adjusted in the next year.

On March 23, 2019 the Bank's Board of Directors resolved to pay employees' compensation of $152,444 thousand and remuneration of directors of $50,814 thousand for the year ended December 31, 2018, both in cash. There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2018.

Information on the employees' compensation and remuneration of directors resolved by the Bank's Board of Directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 33. DEPRECIATION AND AMORTIZATION

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Depreciation (Notes 17 and 18) | $ 661,753 | $ 222,608 |
| Amortization | $ 27,494 | $ 27,431 |

## 34. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Tax and government fees | $ 618,042 | $ 605,600 |
| Marketing and advertising | 454,830 | 405,262 |
| Software | 197,975 | 188,957 |
| Telecommunications | 164,520 | 165,201 |
| Lease expenses | 28,443 | 444,482 |
| Others | 735,635 | 737,296 |
| | $ 2,199,445 | $ 2,546,798 |

## 35. INCOME TAX EXPENSE

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Current tax expense | | |
| Current period | $ 477,635 | $ 319,342 |
| Prior years | (1,247) | (772) |
| | 476,388 | 318,570 |
| Deferred tax expense | | |
| Current period | 147,920 | 318,458 |
| Prior years | (26) | (1,710) |
| Effect of change in tax rate | - | (91,040) |
| Deferred tax expense | 147,894 | 225,708 |
| Income tax expense recognized in profit or loss | $ 624,282 | $ 544,278 |

A reconciliation of accounting income and income tax expense recognized in profit or loss is as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Income before income tax | $ 4,256,877 | $ 4,068,479 |
| Income tax expense calculated at the statutory rate | $ 899,512 | $ 836,802 |
| Income from offshore banking unit (OBU) | (452,164) | (281,594) |
| Tax-exempted investment income | (75,688) | (314,653) |
| Tax-exempted other items | 6,419 | (64,470) |
| Unrecognized loss carryforwards | (7,974) | (11,696) |
| Loss carryforwards utilized in the current year | (26,794) | - |
| Unrecognized deductible temporary differences | 65,577 | 181,124 |
| Additional income tax under the Alternative Minimum Tax Act | 176,336 | 254,199 |
| Overseas branch income tax | 40,095 | 38,088 |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Adjustments for prior years' tax | $ (1,273) | $ (2,482) |
| Effect of change in tax rate | - | (91,040) |
| Others | 236 | - |
| Income tax expense recognized in profit or loss | $ 624,282 | $ 544,278 |

(Concluded)

In 2018, the Income Tax Act in Taiwan was amended. Starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax benefit has been recognized in profit or loss. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

Due to the uncertainty of appropriation of earnings and approval by the shareholders in their meeting in 2020, the potential consequence of the 5% income tax rate of the unappropriated earnings in 2019 cannot be determined reliably.

b. Income tax benefit recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Remeasurement of defined benefit plans | $ 6,099 | $ 23,181 |
| Exchange differences on translation of foreign currency | 9,612 | 2,103 |
| | $ 15,711 | $ 25,284 |

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

For the year ended December 31, 2019

| Deferred Tax Assets | Beginning Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income (Loss) | Ending Balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Allowance for possible losses in excess of the limit | $ 188,748 | $ (70,847) | $ - | $ 117,901 |
| Defined benefit plans in excess of the limit | 160,799 | (11,625) | 6,099 | 155,273 |
| Unrealized gain or loss on financial instruments | (52,005) | (35,797) | - | (87,802) |
| Others | 48,431 | (2,320) | 9,612 | 55,723 |
| | 345,973 | (120,589) | 15,711 | 241,095 |
| Unused loss carryforwards | 26,211 | (17,895) | - | 8,316 |
| | $ 372,184 | $(138,484) | $ 15,711 | $ 249,411 |

| Deferred Tax Liabilities (Recognized as Other Liabilities) | Beginning Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income (Loss) | Ending Balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Income from equity investments in foreign company under the equity method | $ (6,515) | $ (9,410) | $ - | $ (15,925) |

For the year ended December 31, 2018

| Deferred Tax Assets | Beginning Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income (Loss) | Ending Balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Allowance for possible losses in excess of the limit | $ 401,409 | $ (212,661) | $ - | $ 188,748 |
| Defined benefit plans in excess of the limit | 137,528 | 90 | 23,181 | 160,799 |
| Unrealized gain or loss on financial instruments | (47,290) | (4,715) | - | (52,005) |
| Others | 28,703 | 17,625 | 2,103 | 48,431 |
| | 520,350 | (199,661) | 25,284 | 345,973 |
| Unused loss carryforwards | 64,152 | (37,941) | - | 26,211 |
| | $ 584,502 | $ (237,602) | $ 25,284 | $ 372,184 |

| Deferred Tax Liabilities (Recognized as Other Liabilities) | Beginning Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income (Loss) | Ending Balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Difference in revenue recognition | $ (15,013) | $ 15,013 | $ - | $ - |
| Income from equity investments in foreign company under the equity method | (3,396) | (3,119) | - | (6,515) |
| | $ (18,409) | $ 11,894 | $ - | $ (6,515) |

d. Unrecognized as deferred tax assets in respect of loss carryforwards

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| The Bank | | |
| Expire in 2021 | $ - | $ 133,968 |
| FEIS | | |
| Expire in 2021 | $ - | $ 4,942 |
| Expire in 2022 | - | 22,380 |
| Expire in 2023 | - | 10,626 |
| Expire in 2024 | - | 1,920 |
| | $ - | $ 39,868 |

e. Unrecognized as deferred tax assets in respect of deductible temporary differences

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| The Bank | | |
| Allowance for possible losses in excess of the limit | $ 1,233,505 | $ 905,618 |

f. Income tax assessments

The income tax returns of the Bank, FEIS, and FEAMC through 2017 had been assessed by the tax authorities.

## 36. EARNINGS PER SHARE

The earnings per share (EPS) disclosed in the consolidated income statement are based on net income attributable to owners of the Bank.

**Unit: NT$ Per Share**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Basic EPS | $ 1.08 | $ 1.05 |
| Diluted EPS | $ 1.08 | $ 1.04 |

The net income and weighted average number of ordinary shares outstanding for EPS calculation were as follows:

**Net Income for the Year**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Net income attributable to owners of the Bank | $ 3,632,595 | $ 3,524,201 |
| Effect of dilutive potential ordinary shares | | |
| Euro Convertible Bonds | - | 3,420 |
| Net income used in the computation of diluted EPS | $ 3,632,595 | $ 3,527,621 |

**Number of Ordinary Shares (In Thousand Shares)**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Weighted average number of ordinary shares in the computation of basic EPS | 3,355,819 | 3,355,819 |
| Effect of dilutive potential ordinary shares | | |
| Euro convertible bonds | - | 15,785 |
| Employees' compensation | 16,768 | 18,516 |
| Weighted average number of ordinary shares used in the computation of diluted EPS | 3,372,587 | 3,390,120 |

The weighted average number of ordinary shares outstanding for 2018 EPS calculation was retroactively adjusted to the issuance of stock dividends. The basic and diluted after-tax EPS were adjusted retrospectively as follows:

| | Before Adjustment | After Adjustment |
|---|---|---|
| Basic EPS | $ 1.08 | $ 1.05 |
| Diluted EPS | $ 1.07 | $ 1.04 |

Employees' compensation for the current year should be considered in calculating the weighted-average number of shares outstanding used for calculating diluted EPS. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the board meeting resolves the number of shares to be distributed as employees' compensation at their board meeting in the following year.

## 37. RELATED-PARTY TRANSACTIONS

The Bank and its subsidiaries had significant business transactions with the following related parties:

| Related Party | Relationship with the Bank |
|---|---|
| Dah Chung Bills Finance Corp. | Association |
| Ding Ding Integrated Marketing Service Co. | Chairman is the vice-chairman of the Bank |
| Asia Cement Corp. | Chairman is the vice-chairman of the Bank |
| Far Eastern Department Store Corp. | Chairman is the vice-chairman of the Bank |
| Yuan Ding Co., Ltd. | Chairman is the vice-chairman of the Bank |
| Ding Ding Hotel Co., Ltd. | Chairman is the vice-chairman of the Bank |
| New Century InfoComm Tech Co., Ltd. | Chairman is the vice-chairman of the Bank |
| U-Ming Marine Transport Corp. | Chairman is the vice-chairman of the Bank |
| Far EasTone Telecommunications Corporation | Chairman is the vice-chairman of the Bank |
| Oriental Union Chemical Corporation | Chairman is the vice-chairman of the Bank |
| Far Eastern New Century Corp. | Chairman is the vice-chairman of the Bank |
| U-Ming Marine Transport (Singapore) Private, Ltd. | Chairman of parent company is the vice-chairman of the Bank |
| Everest Textile Co., Ltd. | Chairman is a second-degree relative of the vice chairman of the Bank |
| Far Eastern International Leasing Corp. | Substantive related party |
| Yuan Long Stainless Steel Co. | Substantive related party |
| Pacific SOGO Department Stores Corporation | Substantive related party |
| Others | The Bank's chairman, vice-chairman, managers, their second-degree relatives or substantive related party |

The significant transactions and account balances with the above parties (in addition to those disclosed in other notes) are summarized as follows:

a. Loans to other banks

| Related Party | Highest Balance in Current Year | Ending Balance | Interest Revenues | Interest Rates |
|---|---|---|---|---|
| Dah Chung Bills Finance Corp. | | | | |
| For the year ended December 31 | | | | |
| 2019 | $ 200,000 | $ - | $ 7 | 0.45% |
| 2018 | $ 1,600,000 | $ - | $ 1,153 | 0.34%-0.41% |

b. Loans

| Category | Number of Accounts and Related Party | Highest Balance in Current Year | Ending Balance | Normal Loans | Nonperforming Loans | Collateral | Transactions Terms Different from Those for Unrelated Parties |
|---|---|---|---|---|---|---|---|
| For the year ended December 31, 2019 | | | | | | | |
| Consumer loans | Six individuals | $ 8,029 | $ 871 | $ 871 | $ - | Unsecured loan | Note 2 |
| Loans for residential mortgage | Twenty nine individuals | 313,283 | 273,117 | 273,117 | - | Real estate | Note 2 |
| Others | Yuan Long Stainless Steel Co. | 1,706,000 | 1,400,000 | 1,400,000 | - | Real estate | Note 2 |
| | Far Eastern New Century Corp. | 1,500,000 | 1,500,000 | 1,500,000 | - | Machinery | Note 2 |
| | Others (Note 1) | 2,612,723 | 484,453 | 484,453 | - | Real estate, certificates of deposit, stock unlisted on TWSE, and stock listed on TWSE | Note 2 |
| | | | $ 3,658,441 | $ 3,658,441 | $ - | | |
| For the year ended December 31, 2018 | | | | | | | |
| Consumer loans | Five individuals | 1,847 | $ 801 | $ 801 | $ - | Unsecured loan | Note 2 |
| Loans for residential mortgage | Twenty five individuals | 281,695 | 254,190 | 254,190 | - | Real estate | Note 2 |
| Others | Yuan Long Stainless Steel Co. | 1,706,572 | 1,706,000 | 1,706,000 | - | Real estate | Note 2 |
| | Asia Cement Corp. | 600,000 | 400,000 | 400,000 | - | Stock listed on TWSE | Note 2 |
| | Far Eastern New Century Corp. | 390,000 | 300,000 | 300,000 | - | Machinery | Note 2 |
| | Others (Note 1) | 1,889,065 | 86,000 | 86,000 | - | Real estate, ship and certificates of deposit, stock unlisted on TWSE, and stock listed on TWSE | Note 2 |
| | | | $ 2,746,991 | $ 2,746,991 | $ - | | |

Note 1: The individual amount does not exceed 10% of the total disclosure amount.

Note 2: The terms of loans were no superior to those for unrelated parties.

| | Interest Rate | Interest Revenues | Provision for Possible Losses |
|---|---|---|---|
| For the year ended December 31 | | | |
| 2019 | 1.05%-3.68% | $ 34,851 | $ 9,209 |
| 2018 | 0.99%-3.68% | $ 30,835 | $ 3,877 |

Balances of related allowance for possible losses were $37,950 thousand and $28,741 thousand as of December 31, 2019 and 2018, respectively.

c. Guarantees

| Related Party | Highest Balance in Current Year | Ending Balance | Reserve for Guarantee Obligations | Interest Rate | Collateral |
|---|---|---|---|---|---|
| For the year ended December 31, 2019 | | | | | |
| Far Eastern International Leasing Corp. | $ 500,000 | $ 500,000 | $ 5,000 | 0.30% | Real estate |
| Oriental Union Chemical Corporation | 130,000 | 130,000 | 1,300 | 0.50% | Stock unlisted on TWSE |
| Others (Note) | 93,000 | 63,000 | 630 | 0.60%-0.80% | Stock unlisted on TWSE and machinery |
| | | $ 693,000 | $ 6,930 | | |
| For the year ended December 31, 2018 | | | | | |
| Yuan Long Stainless Steel Co. | 60,000 | $ 30,000 | $ 300 | 0.60% | Machinery |
| Ding Ding Hotel Co., Ltd. | 20,000 | 20,000 | 200 | 0.80% | Stock unlisted on TWSE |
| Yuan Ding Investment Co. | 13,000 | 13,000 | 130 | 0.80% | Stock unlisted on TWSE |
| Others (Note) | 749,835 | - | - | 0.45%-0.80% | Real estate, stock unlisted on TWSE, ship and certificates of deposit |
| | | $ 63,000 | $ 630 | | |

Note: The individual amount does not exceed 10% of the total disclosure amount.

d. Letters of credit issued

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Everest Textile Co., Ltd. | $ 6,199 | $ 3,331 |
| Yuan Long Stainless Steel Co. | 4,510 | 8,664 |
| | $ 10,709 | $ 11,995 |

e. Acceptances

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Everest Textile Co., Ltd. | $ 5,602 | $ - |

f. Security transactions - buy and sell

| | FVTPL - Bonds | | Resale Agreement - Bonds | Repurchase Agreement - Bonds |
|---|---|---|---|---|
| | Buy | Sell | | |
| Dah Chung Bills Finance Corp. | | | | |
| For the year ended December 31 | | | | |
| 2019 | $ - | $ - | $ 1,280,000 | $ - |
| 2018 | $ - | $ 100,000 | $ 9,977,023 | $ - |

g. Derivative instruments

| Related Party | Derivative Instrument | Contract Period | Nominal Amount | Valuation Gain (Loss) | Balance Sheet Account | Balance Sheet Balance |
|---|---|---|---|---|---|---|
| For the year ended December 31, 2019 | | | | | | |
| U-Ming Marine Transport (Singapore) Private, Ltd. | Interest rate swap contracts | 2012.09.27 - 2027.09.30 | $ 3,320,767 | $ (18,929) | Financial liabilities at FVTPL | $ 15,567 |
| Far Eastern New Century Corp. | Forward exchange contracts | 2019.11.05 - 2020.03.17 | 1,030,260 | 4,576 | Financial assets at FVTPL | 5,391 |
| | | | | | Financial liabilities at FVTPL | 815 |
| Asia Cement Corp. | Cross-currency swap contracts | 2018.12.25 - 2021.09.15 | 451,590 | (10,252) | Financial assets at FVTPL | 1,397 |
| Dah Chung Bills Finance Corp. | Convertible (exchangeable) bond asset swap contracts | 2016.06.20 - 2019.06.16 | - | (381) | Financial assets at FVTPL | - |
| For the year ended December 31, 2018 | | | | | | |
| U-Ming Marine Transport Corp. | Cross-currency swap contracts | 2018.12.03 - 2019.01.07 | 307,330 | (805) | Financial liabilities at FVTPL | 335 |
| U-Ming Marine Transport (Singapore) Private, Ltd. | Interest rate swap contracts | 2012.09.27 - 2027.09.30 | 3,489,425 | 15,320 | Financial assets at FVTPL | 16,413 |
| | | | | | Financial liabilities at FVTPL | 13,051 |
| Far Eastern New Century Corp. | Forward exchange contracts | 2018.11.27 - 2019.03.27 | 439,107 | 3,354 | Financial assets at FVTPL | 4,194 |
| | | | | | Financial liabilities at FVTPL | 840 |
| New Century InfoComm Tech Co., Ltd. | Foreign-currency swap contracts | 2018.10.29 - 2019.01.31 | 537,828 | (928) | Financial assets at FVTPL | 30 |
| | | | | | Financial liabilities at FVTPL | 958 |
| Asia Cement Corp. | Cross-currency swap contracts | 2018.12.25 - 2021.09.15 | 460,995 | 489 | Financial assets at FVTPL | 2,244 |
| Dah Chung Bills Finance Corp. | Convertible (exchangeable) bond asset swap contracts | 2016.01.19 - 2019.06.16 | 20,000 | (14,405) | Financial assets at FVTPL | 450 |
| | | | | | Financial liabilities at FVTPL | 69 |

h. Deposits

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Deposits of related parties (each account balance did not exceed 5% of total deposits) | $ 49,837,946 | $ 44,743,009 |
| Interest rate | 0%-6.08% | 0%-6.08% |

| | For the Year Ended December 31 2019 | For the Year Ended December 31 2018 |
|---|---|---|
| Interest expenses | $ 504,843 | $ 473,588 |

i. Service fee expense

| | For the Year Ended December 31 2019 | For the Year Ended December 31 2018 |
|---|---|---|
| Benefit and chargeback fee - Ding Ding Integrated Marketing Service Co. | $ 128,030 | $ 128,252 |
| Benefit and chargeback fee - Far Eastern Department Store Corp. | 18,988 | 19,465 |
| Promotion Service fee - Far EasTone Telecommunications Corporation | 94,128 | 21,418 |
| | $ 241,146 | $ 169,135 |

j. Operating expenses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Marketing and advertising - Far Eastern Department Store Corp. | $ 97,684 | $ 84,393 |
| Marketing and advertising - Pacific SOGO Department Stores Corp. | 72,470 | 86,303 |
| Marketing and advertising - Ding Ding Hotel Co., Ltd. | 14,188 | 13,422 |
| Lease expenses - Yuan Ding Co., Ltd. (Note) | 2,640 | 84,617 |
| | $ 186,982 | $ 268,735 |

Note: Lease expenses are recognized based on IAS 17 for operating leases for the year ended December 31, 2018. Lease information under IFRS 16 in 2019 are disclosed in Note 37 (k) disclosure of lease agreement information.

k. Lessee agreements

| | For the Year Ended December 31, 2019 |
|---|---|
| Lease liabilities - Yuan Ding Co., Ltd. | $ 98,568 |
| Lease liabilities - Far Eastern Department Store Corp. | 28,602 |
| | $ 127,170 |

The Bank rented part of its office premises from Yuan Ding Co., Ltd. and Far Eastern Department Store Corp. Based on the lease agreements, the rents were payable monthly.

l. Compensation of key management personnel

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Short-term employee benefits | $ 203,793 | $ 177,647 |
| Post-employment benefits | 2,144 | 2,189 |
| | $ 205,937 | $ 179,836 |

## 38. PLEDGED ASSETS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| FVTOCI | | |
| Government bonds | $ 3,643,145 | $ 3,586,922 |
| Negotiable certificates of deposits issued by the Central Bank | 2,910,673 | 3,306,146 |
| Other financial assets - deposits with original maturity more than 3 months | 864,400 | 894,600 |
| | $ 7,418,218 | $ 7,787,668 |

The negotiable certificates of deposits issued by the Central Bank had been pledged as collaterals to back the extension of intraday credit in the Central Bank's real-time gross settlement system. The balance of intraday credit and the amount of collateral may vary at any time. Deposits with original maturity more than 3 months had provided as collaterals for overdraft of domestic CNY settlement. The government bonds had been provided as the reserve for compensation of trust department as well as security bond for provisional seizures of the debtors' properties.

## 39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, the Bank and its subsidiaries contingent liabilities and commitments resulting from operating activities as of December 31, 2019 and 2018 are summarized as follows:

a. Balance sheets and income statements of trust accounts and the trust assets lists were as follows:

**Balance Sheets of Trust Accounts**

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Assets | | |
| Deposits in banks | $ 6,079,772 | $ 5,397,051 |
| Accounts receivable | 9,580 | 17,043 |
| Funds | 42,604,532 | 41,006,506 |
| Equity stocks | 4,974,188 | 4,955,244 |
| Bond investments | 5,669 | 5,468 |
| Real estate | | |
| Land | 4,002,671 | 2,766,640 |
| Building | 49,991 | 39,743 |
| Construction in progress | 675,128 | 1,072,468 |
| Marketable securities in custody | 13,921,416 | 10,924,845 |
| Others | 2,121,123 | 1,793,961 |
| | $ 74,444,070 | $ 67,978,969 |
| Liabilities | | |
| Accounts payable | $ 1,854 | $ 1,920 |
| Income tax payable | 331 | 196 |
| Marketable securities in custody payable | 13,921,416 | 10,924,845 |
| Trust capital | 59,062,840 | 56,058,747 |
| Reserve and earnings | | |
| Net income or loss for current period | 1,883,863 | 1,163,923 |
| Accumulated profit or loss | (425,576) | (169,471) |
| Exchange | (658) | (1,191) |
| | $ 74,444,070 | $ 67,978,969 |

## Income Statements of Trust Accounts

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Trust revenue | | |
| Interest | $ 37,937 | $ 37,404 |
| Cash dividends | 2,068,046 | 1,870,890 |
| Realized capital gain - Common stock | 507 | 99 |
| Realized capital gain - Funds | 593,855 | 615,734 |
| Unrealized capital gain - Bond | 311 | - |
| Unrealized capital gain - Common stock | 555,348 | 91,329 |
| Unrealized capital gain - Funds | 96,933 | 93,449 |
| Revenue from stock lending | - | 16 |
| Others | - | 159 |
| | 3,352,937 | 2,709,080 |
| Trust expenses | | |
| Management | 38,257 | 41,951 |
| Supervision | 475 | 487 |
| Taxes | 21,123 | 33,976 |
| Service charges | 149,676 | 8,743 |
| Realized capital loss - Funds | 1,189,425 | 1,185,479 |
| Unrealized capital loss - Bond | - | 126 |
| Unrealized capital loss - Common stock | - | 154,707 |
| Unrealized capital loss - Funds | 69,591 | 119,291 |
| Service fee for stock lending | - | 1 |
| | 1,468,547 | 1,544,761 |
| Income before tax | 1,884,390 | 1,164,319 |
| Income tax | 527 | 396 |
| Net income | $ 1,883,863 | $ 1,163,923 |

## Trust Asset Lists

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Deposits in banks | $ 6,079,772 | $ 5,397,051 |
| Bonds investments | 5,669 | 5,468 |
| Equity stocks | 4,974,188 | 4,955,244 |
| Funds | 42,604,532 | 41,006,506 |
| Accounts receivable | 9,580 | 17,043 |
| Real estate, net | | |
| Land | 4,002,671 | 2,766,640 |
| Building | 49,991 | 39,743 |
| Construction in progress | 675,128 | 1,072,468 |
| Marketable securities in custody | 13,921,416 | 10,924,845 |
| Others | 2,121,123 | 1,793,961 |
| | $ 74,444,070 | $ 67,978,969 |

As of December 31, 2019 and 2018, funds amounting to $1,337,806 thousand and $1,393,772 thousand, respectively, had been recognized in the OBU's books as investment in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

## 40. UNSETTLED LITIGATION EVENTS

Regarding the claims of the Bank against Allied Material Technology Co., in October 2017, the Taiwan High Court ruled that the Bank shall pay $244,563 thousand plus interest to other banks (the amount was derived from the reorganization of Allied Material Technology Co.). The Bank has appealed in accordance with laws and regulations. The Supreme Court remanded the case to the Taiwan High Court on December 20, 2018. Based on attorney's assessment of the remand, the probability of winning the litigation may be high. Accordingly, the Bank hasn't evaluated related liabilities.

## 41. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 3,643,544 | 30.106 | $ 109,692,536 | $ 3,847,847 | 30.733 | $ 118,255,874 |
| HKD | 4,343,854 | 3.866 | 16,793,340 | 3,129,424 | 3.924 | 12,279,860 |
| AUD | 248,497 | 21.100 | 5,243,287 | 457,217 | 21.670 | 9,907,900 |
| ZAR | 1,561,584 | 2.142 | 3,344,913 | 1,316,853 | 2.130 | 2,804,897 |
| CNY | 709,574 | 4.322 | 3,066,780 | 928,509 | 4.473 | 4,153,219 |
| EUR | 75,439 | 33.740 | 2,545,316 | 64,066 | 35.210 | 2,255,778 |
| JPY | 7,164,801 | 0.277 | 1,985,366 | 12,639,326 | 0.278 | 3,518,788 |
| SGD | 41,948 | 22.360 | 937,946 | 36,216 | 22.480 | 814,145 |
| GBP | 6,644 | 39.540 | 262,698 | 7,840 | 38.880 | 304,813 |
| CAD | 8,387 | 23.080 | 193,567 | 10,243 | 22.580 | 231,284 |
| NZD | 6,901 | 20.260 | 139,810 | 7,251 | 20.620 | 149,518 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 3,499,131 | 30.106 | 105,344,838 | 3,728,931 | 30.733 | 114,601,236 |
| HKD | 4,325,941 | 3.866 | 16,724,087 | 3,086,761 | 3.924 | 12,112,450 |
| AUD | 248,094 | 21.100 | 5,234,790 | 456,347 | 21.670 | 9,889,048 |
| ZAR | 1,539,078 | 2.142 | 3,296,704 | 1,319,968 | 2.130 | 2,811,532 |
| CNY | 699,151 | 4.322 | 3,021,730 | 932,046 | 4.473 | 4,169,043 |
| EUR | 72,590 | 33.740 | 2,449,201 | 66,480 | 35.210 | 2,340,753 |
| JPY | 6,788,914 | 0.277 | 1,881,208 | 12,397,679 | 0.278 | 3,451,514 |
| SGD | 41,882 | 22.360 | 936,471 | 36,159 | 22.480 | 812,851 |
| CAD | 8,411 | 23.080 | 194,125 | 10,244 | 22.580 | 231,300 |
| GBP | 4,666 | 39.540 | 184,485 | 7,782 | 38.880 | 302,562 |
| NZD | 6,723 | 20.260 | 136,201 | 7,326 | 20.620 | 151,067 |

## 42. FINANCIAL INSTRUMENTS

a. Information of fair value

1) Overview

Fair value is defined as the price the trader collected or paid in an ordinary transaction for disposal or acquisition of assets or transfer of liabilities on the measurement date.

Financial instruments are initially recognized at fair value which is the transaction price in general terms. All financial instruments are subsequently measured at fair value except for financial instruments which are valued at amortized cost.

2) The definition of three levels of fair value information

a) Level 1

Level 1 inputs are observable inputs that reflect quoted prices for identical financial instruments in an active market. A market is active if it has these characteristics: Products traded in the market are homogeneous; willing buyers and sellers can be found immediately and the price information is publicly available.

b) Level 2

Level 2 inputs are observable inputs other than quoted prices for identical assets or liabilities in active markets, including direct inputs (such as market prices) or indirect inputs (such as prices derived from market prices).

c) Level 3

Level 3 inputs are unobservable items such as inputs derived through extrapolation or interpolation and thus cannot be corroborated by observable market data.

b. Fair value information - Financial instrument measured at fair value under repetitive basis

1) Information of the financial instruments measured at fair value categorized by level is as follows:

| | December 31, 2019 | | | |
|---|---|---|---|---|
| **Repetitive Financial Instruments** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Non-derivative financial assets and liabilities | | | | |
| Assets | | | | |
| Mandatorily at FVTPL | | | | |
| Bonds investments | $ 12,105,443 | $ 12,105,443 | $ - | $ - |
| Equity investments | 713,681 | 713,681 | - | - |
| Bills investments | 17,843,850 | - | 17,843,850 | - |
| Beneficiary certificates | 426,828 | 426,828 | - | - |
| FVTOCI | | | | |
| Equity instruments | 1,208,021 | 888,270 | - | 319,751 |
| Debt instruments | | | | |
| Bonds investments | 68,032,979 | 68,032,979 | - | - |
| Bills investments | 63,068,472 | - | 63,068,472 | - |
| Derivative financial assets and liabilities | | | | |
| Assets | | | | |
| Mandatorily at FVTPL | 3,241,362 | - | 3,119,889 | 121,473 |
| Liabilities | | | | |
| Financial liabilities at FVTPL | (3,909,304) | (3,073) | (3,904,416) | (1,815) |
| Hybrid contract | | | | |
| Mandatorily at FVTPL | 18,684,277 | 239,844 | 18,444,433 | - |
| | $ 181,415,609 | $ 82,403,972 | $ 98,572,228 | $ 439,409 |

| Repetitive Financial Instruments | December 31, 2018 Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Non-derivative financial assets and liabilities | | | | |
| Assets | | | | |
| Mandatorily at FVTPL | | | | |
| Bonds investments | $ 8,324,585 | $ 8,324,585 | $ - | $ - |
| Equity investments | 64,115 | 64,115 | - | - |
| Bills investments | 18,556,024 | - | 18,556,024 | - |
| FVTOCI | | | | |
| Equity instruments | 1,265,822 | 930,492 | - | 335,330 |
| Debt instruments | | | | |
| Bonds investments | 55,562,384 | 55,562,384 | - | - |
| Bills investments | 62,950,846 | - | 62,950,846 | - |
| Derivative financial assets and liabilities | | | | |
| Assets | | | | |
| Mandatorily at FVTPL | 3,783,114 | 351 | 3,698,910 | 83,853 |
| Liabilities | | | | |
| Financial liabilities at FVTPL | (2,752,479) | (161) | (2,685,579) | (66,739) |
| Hybrid contract | | | | |
| Mandatorily at FVTPL | 15,779,663 | 544,395 | 15,235,268 | - |
| | $ 163,534,074 | $ 65,426,161 | $ 97,755,469 | $ 352,444 |

2) Valuation techniques for fair value measurement

When the Bank determine the fair value of financial instruments, they consider the market. If the market is active, then the fair value of the instruments will be consistent with quoted market prices. If the market is not active, then the fair value will be estimated by using a valuation model that is widely adopted by market participants or by referring to counterparties' parameters or to parameters based on conditions and characteristics of financial instruments that are similar to those of the Bank' instruments.

The parameters of valuation model used to measure fair value of financial instruments are usually observable data from market, such as OTC, Reuters and Bloomberg's offering price. The valuation department determines the scope of valuation model and assesses any uncertainty and its impact. In its assessment, the valuation department ensures the following:

a) The consistency and adequacy of the market parameters used in the valuation;

b) The appropriateness of the valuation model in light of the assumptions to be used, the internal control and risk management framework, and the degree of mathematical expertise required for an independent unit to make the valuation;

c) Reliability of price information and other parameters used in the valuation and any model adjustments to be made on the basis of current market conditions.

3) Credit risk valuation adjustment

Credit risk valuation adjustment is for financial instrument transactions made outside the stock exchange, namely the transactions made over-the-counter, which could be mainly divided into credit value adjustment and debit value adjustment. The definition is as follows:

a) Credit Value Adjustment (the "CVA") is the reflection of possibility that counterparty is likely to default and the possible loss that the counter party may not be able to reimburse entire market value.

b) Debit Value Adjustment (the "DVA") is the reflection of possibility that the Bank is likely to default and the uncertainly that the Bank may not be able to reimburse for the entire market value.

The CVA is calculated by multiplying the probability of default (the "PD"), loss given default (the "LGD") and exposure at default (the "EAD") of counterparty together. In contrast, DVA is calculated by multiplying PD (under zero default rate of the counterparty), LGD and EAD of the Bank together.

To take into account all risk factors involved in model-based fair value measurements, the Bank uses the disclosure guidelines issued by the TWSE on CVA and DVA, which are marked to market, using appropriate ratios such as LGD, PD, and EAD. This way, the credit risks on counterparties in OTC-derivative transactions as well as the Bank's credit quality can be considered.

4) Transfers between Levels 1 and level 2

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

5) Level 3 financial instruments

a) Movement of Level 3 financial assets

**For the Year Ended December 31, 2019**

| Item | Beginning Balance | Valuation | | Increase in the Current Year | | Decrease in the Current Year | | Ending Balance |
|---|---|---|---|---|---|---|---|---|
| | | Included in Profit or Loss | Included in Other Compre-hensive Income | Purchase or Issue | Transfer-in | Sale, Disposition or Settlement | Transfer-out from Level 3 | |
| Mandatorily at FVTPL | $ 83,853 | $ 27,598 | $ - | $ 32,620 | $ - | $ (22,598) | $ - | $ 121,473 |
| Financial assets at FVTOCI | 335,330 | - | (15,579) | - | - | - | - | 319,751 |
| Total | $ 419,183 | $ 27,598 | $ (15,579) | $ 32,620 | $ - | $ (22,598) | $ - | $ 441,224 |

**For the Year Ended December 31, 2018**

| Item | Beginning Balance | Valuation | | Increase in the Current Year | | Decrease in the Current Year | | Ending Balance |
|---|---|---|---|---|---|---|---|---|
| | | Included in Profit or Loss | Included in Other Compre-hensive Income | Purchase or Issue | Transfer-in (Note) | Sale, Disposition or Settlement | Transfer-out from Level 3 | |
| Mandatorily at FVTPL | $ 110,601 | $ (18,265) | $ - | $ 8,321 | $ - | $ (16,804) | $ - | $ 83,853 |
| Financial assets at FVTOCI | - | - | 25,675 | - | 309,655 | - | - | 335,330 |
| Total | $ 110,601 | $ (18,265) | $ 25,675 | $ 8,321 | $ 309,655 | $ (16,804) | $ - | $ 419,183 |

Note: Due to retroactive classification per IFRS 9 in the beginning balance of 2018.

b) Movements of Level 3 financial liabilities

**For the Year Ended December 31, 2019**

| Item | Beginning Balance | Valuation | Increase in the Current Year | | Decrease in the Current Year | | Ending Balance |
|---|---|---|---|---|---|---|---|
| | | | Purchase or Issue | Transfer-in | Sale, Disposition or Settlement | Transfer-out from Level 3 | |
| Financial liabilities at FVTPL | | | | | | | |
| Derivative financial liabilities | $ 66,739 | $(34,447) | $ 1,705 | $ - | $(32,182) | $ - | $ 1,815 |

**For the Year Ended December 31, 2018**

| Item | Beginning Balance | Valuation | Increase in the Current Year | | Decrease in the Current Year | | Ending Balance |
|---|---|---|---|---|---|---|---|
| | | | Purchase or Issue | Transfer-in | Sale, Disposition or Settlement | Transfer-out from Level 3 | |
| Financial liabilities at FVTPL | | | | | | | |
| Derivative financial liabilities | $ 3,827 | $ (1,675) | $ 66,739 | $ - | $ (2,152) | $ - | $ 66,739 |

c) Quantitative information of significant unobservable parameters used in fair value measurement (Level 3 financial instruments)

Level 3 financial instruments mainly consist of credit default swap and investment in equity instrument at FVTOCI which have single major unobservable parameters; quantitative information is as follows:

| Measured at Fair Value Based on Repetition | Fair Value as of December 31, 2019 | Valuation Techniques | Significant Unobservable Parameters | Interval (Weighted-average) | Relationship Between Parameters and Fair Value |
|---|---|---|---|---|---|
| Derivative financial assets | | | | | |
| December 31, 2019 | $ 121,473 | Default probability model | Credit separation | 0.40%-2.50% | The increase of credit separation decreases its fair value. |
| December 31, 2018 | 83,853 | Default probability model | Credit separation | 0.40%-3.50% | The increase of credit separation decreases its fair value. |
| Investments in equity | | | | | |
| December 31, 2019 | 291,069 | Income approach - cash dividend discount method | Without open market marketable discount | 20.06% | The increase of discount decreases its fair value |
| | 17,442 | Market approach - analogy company law | Without open market marketable discount | 10.00% | The increase of discount decreases its fair value |
| | 11,240 | Net asset value method | N/A | N/A | N/A |
| December 31, 2018 | 299,678 | Income approach - cash dividend discount method | Without open market marketable discount | 20.16% | The increase of discount decreases its fair value |
| | 24,809 | Market approach - analogy company law | Without open market marketable discount | 10.00% | The increase of discount decreases its fair value |
| | 10,843 | Net asset value method | N/A | N/A | N/A |
| Derivative financial liabilities | | | | | |
| December 31, 2019 | 1,815 | Default probability model | Credit separation | 0.40%-2.50% | The increase of credit separation decreases its fair value. |
| December 31, 2018 | 66,739 | Default probability model | Credit separation | 0.40%-3.50% | The increase of credit separation decreases its fair value. |

d) Valuation procedures for Level 3 fair value

The evaluation of financial instruments at the level 3 is independent of the business unit from specific departments and external experts, evaluating its fair value close to the market status. To ensure the data source is independent, reliable, and consistent with other resources, the evaluation of parameters must review regularly, updating the required input values, and revising essential fair value to ensure the rationality in evaluation with its results.

e) The sensitivity analysis of reasonably possible alternative assumptions for fair value measurements categorized within Level 3

Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact on the profit or loss for the year would have been as follows:

| Item | Impact on Gain and Loss | | | |
|---|---|---|---|---|
| | December 31, 2019 | | December 31, 2018 | |
| | Favorable | Unfavorable | Favorable | Unfavorable |
| Assets | | | | |
| Mandatorily at FVTPL | $ 4,025 | $ (6,208) | $ 2,892 | $ (2,893) |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 653 | (654) | 4,300 | (4,302) |

Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact on other comprehensive income or loss for the current year would have been as follows:

| Item | Impact on Other Comprehensive Income and Losses | | | |
|---|---|---|---|---|
| | December 31, 2019 | | December 31, 2018 | |
| | Favorable | Unfavorable | Favorable | Unfavorable |
| Assets | | | | |
| Financial assets at FVTOCI | $ - | $ (59) | $ 59 | $ (59) |

The favorable and unfavorable movement refers to the fluctuation of fair values, which is calculated on the basis of valuation techniques involving the use of input parameters.

c. Fair Value information - Financial instruments not measured at fair value

The Bank consider that the book value of financial assets and liabilities which not measured at fair value is close to fair value, except for the book value of those measured at cost and of the items below:

| | 2019 | | The Fair Value Hierarchy of Financial Instruments | |
|---|---|---|---|---|
| | Book Value | Fair Value | Level 1 | Level 2 |
| Financial asset | | | | |
| Investments in debt instrument at amortized cost | $ 2,543,880 | $ 2,565,560 | $ 2,565,560 | $ - |
| Financial liabilities | | | | |
| Bank debentures | 25,001,900 | 25,150,740 | - | 25,150,740 |

| | 2018 | | The Fair Value Hierarchy of Financial Instruments | |
|---|---|---|---|---|
| | Book Value | Fair Value | Level 1 | Level 2 |
| Financial asset | | | | |
| Investments in debt instrument at amortized cost | $ 2,588,654 | $ 2,577,856 | $ 2,577,856 | $ - |
| Financial liabilities | | | | |
| Bank debentures | 18,001,900 | 18,048,549 | - | 18,048,549 |

The evaluation methods and assumptions for Level 2 financial instruments above are quoted from the offering price of OTC.

## 43. FINANCIAL RISK MANAGEMENT

a. Overview

The Bank's risk management policy is to form a risk management-oriented culture, and to use both qualitative and quantitative indexes from internal and external risk management regulations in developing operating strategies.

The Bank has set up an independent risk control department to implement and monitor risk management policies.

The Bank's risk management policies are established to identify and measure the risks faced by the Bank, to set appropriate risk limits and controls, to monitor risks and adherence to limits, and to achieve the target profit.

b. Risk management framework

The Board of Directors, the highest decision-making body of the Bank, has overall responsibility for the establishment and oversight of the Bank's risk management framework.

Asset and Liability Management Committee and Risk Management Committee have been formed to examine and manage the Bank's risks, to assess the execution of risk management policies and to evaluate risk tolerance. The general manager is the convener, and is responsible for appointing members of committees.

Risk Management Department comprises corporate banking and consumer banking groups which directly manage credit extension risks in their respective areas, and present risk management report to the Risk Management Committee and the Board of Directors, regularly. The Internal Audit Department undertakes regular reviews of risk management controls and procedures, including risk management framework, operating procedures of risk management, and provides timely suggestions for improvements.

c. Credit risk

1) Definition and scope of credit risk

Credit risk is the risk of financial loss to the Bank if a borrower, issuer or counterparty to a financial instrument fails to meet its contractual obligations due to its credit deterioration or other factors, such as a dispute between the borrower and its counterparty.

Credit risk includes all risks derived from on- and off-balance sheet business, and all credit risk related to products, businesses and positions.

2) Management policies on credit risk

The Bank shall identify risk factors and consider appropriate risk evaluation and control process prior to taking the existing or new business. For all credit risks identified on- and off-balance sheet, adequate credit limits are set based on the same borrower, counterparty, related party, group, or industry. The Bank shall establish review mechanism to track and assess changes in each borrower's or issuer's financial position; regularly assess and manage asset quality, also strengthen the management of unusual borrowers and make appropriate allowance for possible losses if applicable.

3) The credit risk management processes and valuation methods for credit extension are as follows:

a) The credit risk has increased significantly after original recognition

The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since original recognition. For this assessment, the Bank's considerations show that the credit risk has increased significantly since original recognition and can be corroborated. The main considerations include the following:

Qualitative Index

The debtor's payment is overdue for 30-89 days.

Quantitative Index

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

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

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

b) The definition of default and credit impairment on financial assets

The Bank's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and have credit impairment:

Qualitative Index

The debtor's payment is overdue for more than 90 days.

Quantitative Index

If there is any evidence indicates that the debtor can not pay the contract, or the debtor is in a material financial difficulties as follows:

i. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

ii. The debtor has conformed to a non-performed loan by authorities.

iii. The debtor has conducted a negotiation of debts or self-negotiating.

iv. The active market of the financial assets disappeared due to financial difficulties.

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

If the financial assets have not conformed to the definition of default and credit impairment on financial assets for 6 consecutive months, it would not be classified as a default and credit impairment on financial assets.

c) Write off policy

When the Bank can not reasonably expect the recoverable from the entire or partial financial assets, the entire or partial financial assets will be written off. The index of unexpected reasonably recoverable amount includes the following:

i. The recovery of debt has stopped.

ii. The debtor doesn't have enough assets or income resource to pay the debt after assessment.

Financial asset which has been written-off can do the recovery of debt and institute legal proceedings continuously under related policies.

d) Measurement of expected credit loss

i. Loan and receivables

The Bank considers both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplying, the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

The above "PD" and "LGD" are applied to the credit business according to each group's historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information (such as GDP and unemployment rate), then calculate by applying the progressive one factor model respectively.

When the Bank measured the credit loss of assets combination, the forward-looking information were taken into the PD's consideration. Among them, the index of forward-looking adjustment in PD is predicted by the Corporate banking Sector which adopted the growth rate of real GDP in Taiwan and the Consumer banking Sector which adopted the unemployment rate in Taiwan.

According to the measurement of predict loss in IFRS 9, the forward-looking adjustment in PD is requested to assess any consequences (at least 2 circumstances) and expresses with weighted-average probability. As a result, the Bank took the prediction authorities' consensus forecasting into consideration and adopted the prediction value by at least 2 macroeconomic prediction authorities as the index of forward-looking adjustment.

ii. The investments in debt instrument at amortized cost and at FVTOCI

The measurement of predict credit loss consider the information of PD and LGD which is announced from the external credit ratings and Moody's to calculate. The international credit rating authority has considered the forward-looking information when assessed the credit rating which is taken consideration to measure the predict credit loss by the Bank consequently.

4) Credit risk hedging and mitigation policies

a) The terms of credit facilities are determined in the light of assessments of probability and amounts of default and collateral and guarantees are obtained, including bank deposit receipts, securities (such as treasury securities, government bonds, bank debentures, stocks and bonds guaranteed by financial institutions) and real estate such as land and buildings. Stocks listed on TWSE and TPEx are marked to market day to day, and changes in the value of their collaterals are monitored all the time; values of land and buildings are examined every time the contract is renewed.

b) Through policy mechanism, such as credit limits and credit regulation prior to the credit being committed to customers, to control the quality of credit assets. Via post-loan management, concentration analysis, midway credit and review tracking to view assets quality and changes of each case. Master and monitor risk in time. Periodic reports and feedbacks to understand credit portfolios and overall credit risks, ensure risk offsets for continued effectiveness.

c) According to the Bank's "Principles for Acceptance and Disposal of Collaterals," collateral of nonperforming loans secured through compulsory enforcement or participating distribution, if the minimum auction price or liquidation price of the collateral is too low and damage the Bank's credit right, the Bank will participate in the auction or declare to undertake, for example, the minimum auction price is too low to compensate the principal and interest of loans but the collateral must not be difficult to dispose in the future. For collaterals tendered or undertaken, the Bank should actively seek buyers, and if the collateral is real estate, the Bank should dispose of it within the period prescribed under the Banking Law.

d) Other credit enhancements

If there are guarantee, strategic alliance or collaterals provided in the terms of the loan contracts which the Bank recognized as unsecured loan, when default events occur, the Bank will demand compensation from the guarantor, strategic alliance, transfer of credits to the Bank or disposal of collaterals to decrease credit risk.

5) The maximum credit risk exposure

The carrying amount represents the Bank's maximum exposure to credit risk of the on-balance sheet assets, without taking into account the collaterals held or other credit enhancements. The amounts of the maximum credit exposure of the irrevocable off-balance commitments and guarantees, without taking into account the collaterals held or other credit enhancements, were as follows:

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Unused portion of credit card lines | $ 188,007,163 | $ 179,890,598 |
| Guarantees and standby L/Cs | 24,700,194 | 19,271,353 |
| Irrevocable loan commitments | 14,785,233 | 15,866,641 |

The Bank has documented procedures for the assessment and classification of nonperforming loans and for evaluating adequacy of collaterals.

The breakdown of maximum credit risk exposure of the Bank according to whether collaterals are held or other credit enhancements exist is as follows:

December 31, 2019

| | Maximum Credit Risk Exposure | | | |
|---|---|---|---|---|
| | With Collaterals | Other Credit Enhancements | Without Collaterals | Total |
| Balance sheet items | | | | |
| Discounts and loans | $ 248,126,845 | $ 61,308,183 | $ 80,765,400 | $ 390,200,428 |
| Receivables - credit card | - | - | 14,857,103 | 14,857,103 |
| Receivables - acceptances | 5,602 | 44,307 | 324,637 | 374,546 |
| Off-Balance sheet items | | | | |
| Unused portion of credit card lines | - | - | 188,007,163 | 188,007,163 |
| Guarantee | 14,168,600 | 5,534,907 | 4,166,993 | 23,870,500 |
| Letters of credit issued | 183,117 | 429,247 | 217,330 | 829,694 |
| Irrevocable loan commitments | 181,040 | - | 14,604,193 | 14,785,233 |
| | $ 262,665,204 | $ 67,316,644 | $ 302,942,819 | $ 632,924,667 |

December 31, 2018

| | Maximum Credit Risk Exposure | | | |
|---|---|---|---|---|
| | With Collaterals | Other Credit Enhancements | Without Collaterals | Total |
| Balance sheet items | | | | |
| Discounts and loans | $ 248,098,498 | $ 60,682,444 | $ 76,142,075 | $ 384,923,017 |
| Receivables - credit card | - | - | 14,417,111 | 14,417,111 |
| Receivables - acceptances | - | 98,272 | 341,087 | 439,359 |
| Off-Balance sheet items | | | | |
| Unused portion of credit card lines | - | - | 179,890,598 | 179,890,598 |
| Guarantee | 5,843,474 | 6,147,476 | 6,609,086 | 18,600,036 |
| Letters of credit issued | 11,995 | 220,265 | 439,057 | 671,317 |
| Irrevocable loan commitments | 798,815 | - | 15,067,826 | 15,866,641 |
| | $ 254,752,782 | $ 67,148,457 | $ 292,906,840 | $ 614,808,079 |

When loan contracts set the security of nonperforming loans, article of collaterals and definition of credit event occurrence, the quota and the repayment period can be reduced or regard as maturity to reduce the credit risk.

Refer to Notes 13 and 14 for the credit impairment of financial assets. The provision for impairment loss and the information on potential loss and collateral value are as below:

December 31, 2019

| | Carrying Amount | Impairment | Exposure Measurement (Amortized Cost) | Collateral Fair Value |
|---|---|---|---|---|
| Credit-impaired financial assets | | | | |
| Receivables | | | | |
| Credit cards | $ 1,234,239 | $ 370,500 | $ 863,739 | $ - |
| Other | 35,858 | 12,062 | 23,796 | 12,388 |
| Discounts and loans | 5,458,548 | 849,067 | 4,609,481 | 4,159,922 |
| | $ 6,728,645 | $ 1,231,629 | $ 5,497,016 | $ 4,172,310 |

December 31, 2018

| | Carrying Amount | Impairment | Exposure Measurement (Amortized Cost) | Collateral Fair Value |
|---|---|---|---|---|
| Credit-impaired financial assets | | | | |
| Receivables | | | | |
| Credit cards | $ 1,307,909 | $ 355,222 | $ 952,687 | $ - |
| Other | 41,073 | 18,112 | 22,961 | 13,016 |
| Discounts and loans | 3,426,428 | 908,251 | 2,518,177 | 2,169,318 |
| | $ 4,775,410 | $ 1,281,585 | $ 3,493,825 | $ 2,182,334 |

6) Concentrations of credit risk

The concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaging in similar business activities and having similar economic features. The similarity would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank's concentrations of credit risk by industry, geography and type of collaterals were as follows:

a) By industry

| | December 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| Credit Risk Profile by Industry Sector | Amount | % | Amount | % |
| Finance and insurance | $ 48,540,314 | 12 | $ 53,669,412 | 14 |
| Manufacturing | 48,052,170 | 12 | 43,696,595 | 11 |
| Wholesale and retail trade | 15,677,396 | 4 | 15,946,673 | 4 |
| | $ 112,269,880 | 28 | $ 113,312,680 | 29 |

b) By geography

| Region | December 31 2019 Amount | % | 2018 Amount | % |
|---|---|---|---|---|
| Taiwan | $ 329,681,879 | 84 | $ 319,847,652 | 83 |
| Asia Pacific except Taiwan | 30,898,494 | 8 | 32,731,935 | 9 |
| Others | 29,620,055 | 8 | 32,343,430 | 8 |
| | $ 390,200,428 | 100 | $ 384,923,017 | 100 |

c) By type of collaterals

| Type of Collaterals | December 31 2019 Amount | % | 2018 Amount | % |
|---|---|---|---|---|
| Unsecured | $ 142,073,583 | 36 | $ 136,824,519 | 36 |
| Secured | | | | |
| Real estate | 211,438,116 | 54 | 209,070,047 | 54 |
| Movable property | 18,236,041 | 5 | 18,601,434 | 5 |
| Financial collateral | 15,824,637 | 4 | 17,274,959 | 4 |
| Others | 2,628,051 | 1 | 3,152,058 | 1 |
| | $ 390,200,428 | 100 | $ 384,923,017 | 100 |

7) Continuing assessment of credit quality and any impairment of financial assets

Some of the financial assets held by the Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and other banks, financial assets at FVTPL, securities purchased under resale agreements, bond investment, refundable deposits and operating deposits, are assessed with low credit risk due to the good credit rating of the counterparties.

d. Liquidity risk

1) Sources and definition of liquidity risk

Liquidity risk is the risk that the Bank is unable to liquidate assets or obtain loans to meet its obligations when they fall due as a result of customer deposits being early withdrawn, deteriorating access to and terms of interbank facilities, deteriorating delinquency by borrowers, or financial instruments not easily liquidated. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activities, systemic shocks and natural disasters, etc.

2) Risk management policies on liquidity risk

The Bank's liquidity management processes, which are managed by an independent department, include:

a) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;

b) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

c) Monitoring the liquidity ratios against internal and regulatory requirements; and

d) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections respectively for the next ten days, one month, two months, etc., to, one year and over one year. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Related information is submitted regularly to the Bank's Asset and Liability Management Committee and the Board of Directors.

3) Financial assets held for liquidity risk management purposes

To support payment obligation and contingent funding in a stressed market environment, the Bank holds high-quality and highly-liquid interest-earning assets comprising cash and cash equivalent, due from the Central Bank and other banks, securities purchased under resale agreements and financial assets at FVTPL for which there is an active and liquid market and maintain legal ratio related to liquidity.

4) Maturity analysis of non-derivative financial liabilities

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the date of the balance sheet.

| December 31, 2019 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Due to the Central Bank and other banks | $ 4,673,023 | $ 3,862,327 | $ 2,601,780 | $ - | $ - | $ 11,137,130 |
| Securities sold under repurchase agreement | 1,694,986 | 8,015,035 | - | - | - | 9,710,021 |
| Payables | 2,960,691 | 1,320,706 | 830,816 | 526,540 | 1,064,744 | 6,703,497 |
| Deposits and remittances | 225,233,355 | 101,090,074 | 77,222,130 | 116,019,525 | 17,831,056 | 537,396,140 |
| Bank debentures | 1,900 | - | - | 4,000,000 | 21,000,000 | 25,001,900 |
| Principal received on structured products | 93,391 | 27,019 | 11,440 | 176,499 | 9,168,274 | 9,476,623 |
| Other financial liabilities | 300,000 | 120,000 | - | 43,220 | 538,715 | 1,001,935 |
| Lease liabilities | 34,934 | 75,956 | 100,219 | 194,538 | 654,433 | 1,060,080 |
| Total | $ 234,992,280 | $ 114,511,117 | $ 80,766,385 | $ 120,960,322 | $ 50,257,222 | $ 601,487,326 |

| December 31, 2018 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Due to the Central Bank and other banks | $ 8,751,791 | $ 5,532,147 | $ 1,382,985 | $ 59,800 | $ - | $ 15,726,723 |
| Securities sold under repurchase agreement | 14,704,830 | - | - | - | - | 14,704,830 |
| Payables | 3,975,153 | 1,254,124 | 672,467 | 619,621 | 743,857 | 7,265,222 |
| Deposits and remittances | 196,945,980 | 92,549,698 | 68,393,781 | 136,525,003 | 13,993,510 | 508,407,972 |
| Bank debentures | 1,900 | - | 3,000,000 | - | 15,000,000 | 18,001,900 |
| Principal received on structured products | 65,452 | 16,965 | 71,214 | - | 12,325,539 | 12,479,170 |
| Other financial liabilities | 480,000 | 134,190 | 39,909 | 92,791 | 689,285 | 1,436,175 |
| Total | $ 224,925,106 | $ 99,487,124 | $ 73,560,356 | $ 137,297,215 | $ 42,752,191 | $ 578,021,992 |

Note: The amounts disclosed in the tables are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

In the maturity analysis of "deposits and remittance" disclosed in the above table, it is assumed that demand deposits are expected to be drawn down in the earliest period.

Maturity over one year analysis of lease liabilities was as follows:

| | Due Between 1 Year and 2 Years | Due Between 2 Years and 3 Years | Due After 3 Years | Total |
|---|---|---|---|---|
| Lease liabilities | $ 224,856 | $ 151,594 | $ 277,983 | $ 654,433 |

5) Maturity analysis of derivative financial liabilities

a) Derivative instruments settled on a net basis are include foreign exchange derivatives (foreign exchange options, non-deliverable forwards) and interest rate derivatives (interest rate swap options, interest rate swaps and other interest rate contracts settled on net cash flow). Maturity analysis of derivative financial liabilities that will be settled on a net basis is as follows:

| December 31, 2019 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at FVTPL | | | | | | |
| Foreign exchange derivatives | $ 1,665 | $ 66 | $ 1,081 | $ 712 | $ - | $ 3,524 |
| Interest rate derivatives | 451 | 4,281 | 3,821 | 11,858 | 710,300 | 730,711 |
| Total | $ 2,116 | $ 4,347 | $ 4,902 | $ 12,570 | $ 710,300 | $ 734,235 |

| December 31, 2018 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at FVTPL | | | | | | |
| Foreign exchange derivatives | $ 382 | $ 558 | $ 199 | $ - | $ - | $ 1,139 |
| Interest rate derivatives | 3,675 | 6,361 | 8,378 | 5,375 | 552,531 | 576,320 |
| Total | $ 4,057 | $ 6,919 | $ 8,577 | $ 5,375 | $ 552,531 | $ 577,459 |

Note: The amounts disclosed in the table are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

b) Derivative instruments settled on a gross basis are include foreign exchange derivatives (foreign exchange swaps, foreign exchange options), interest rate derivatives (cross currency swaps) and credit derivatives (credit default swap). Maturity analysis of derivative financial liabilities that will be settled on a gross basis is as follows:

| December 31, 2019 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at FVTPL | | | | | | |
| Foreign exchange derivatives | | | | | | |
| Cash outflow | $ 50,467,841 | $ 80,755,420 | $ 58,693,412 | $ 34,752,640 | $ 1,523,574 | $ 226,192,887 |
| Cash inflow | 49,992,431 | 79,873,652 | 58,434,676 | 34,782,603 | 1,551,352 | 224,634,714 |
| Interest rate derivatives | | | | | | |
| Cash outflow | 1,845,060 | 3,088,100 | - | 1,829,300 | 905,600 | 7,668,060 |
| Cash inflow | 1,800,950 | 3,010,600 | - | 1,806,360 | 903,180 | 7,521,090 |
| Credit derivatives | | | | | | |
| Cash outflow | - | - | - | - | - | - |
| Cash inflow | - | 3,234 | 3,199 | 6,398 | 30,448 | 43,279 |
| Subtotal of cash outflow | 52,312,901 | 83,843,520 | 58,693,412 | 36,581,940 | 2,429,174 | 233,860,947 |
| Subtotal of cash inflow | 51,793,381 | 82,887,486 | 58,437,875 | 36,595,361 | 2,484,980 | 232,199,083 |
| Net cash flow | $ (519,520) | $ (956,034) | $ (255,537) | $ 13,421 | $ 55,806 | $ (1,661,864) |

| December 31, 2018 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at FVTPL | | | | | | |
| Foreign exchange derivatives | | | | | | |
| Cash outflow | $ 66,817,020 | $ 66,620,982 | $ 43,980,954 | $ 14,101,278 | $ 1,363,279 | $ 192,883,513 |
| Cash inflow | 66,388,975 | 66,181,803 | 43,707,316 | 14,043,361 | 1,386,102 | 191,707,557 |
| Interest rate derivatives | | | | | | |
| Cash outflow | 921,990 | - | - | - | 614,660 | 1,536,650 |
| Cash inflow | 903,800 | - | - | - | 603,750 | 1,507,550 |
| Credit derivatives | | | | | | |
| Cash outflow | - | - | - | - | - | - |
| Cash inflow | 3,299 | 20,218 | 28,563 | 45,507 | 292,691 | 390,278 |
| Subtotal of cash outflow | 67,739,010 | 66,620,982 | 43,980,954 | 14,101,278 | 1,977,939 | 194,420,163 |
| Subtotal of cash inflow | 67,296,074 | 66,202,021 | 43,735,879 | 14,088,868 | 2,282,543 | 193,605,385 |
| Net cash flow | $ (442,936) | $ (418,961) | $ (245,075) | $ (12,410) | $ 304,604 | $ (814,778) |

Note: The amounts disclosed in the table are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

6) Maturity analysis of off-balance sheet items

Maturity analysis of the off-balance sheet items that are requested to pay or realize the guarantee on the basis of their earliest possible contractual maturity is as follows:

| December 31, 2019 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Developed and irrevocable loan commitments | $ 14,785,233 | $ - | $ - | $ - | $ - | $ 14,785,233 |
| Irrevocable credit card commitments | 188,007,163 | - | - | - | - | 188,007,163 |
| Issued but unused letters of credit | 829,694 | - | - | - | - | 829,694 |
| Other guarantees | 8,667,440 | 14,650,100 | 20,000 | - | 532,960 | 23,870,500 |
| Total | $ 212,289,530 | $ 14,650,100 | $ 20,000 | $ - | $ 532,960 | $ 227,492,590 |

| December 31, 2018 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Developed and irrevocable loan commitments | $ 15,866,641 | $ - | $ - | $ - | $ - | $ 15,866,641 |
| Irrevocable credit card commitments | 179,890,598 | - | - | - | - | 179,890,598 |
| Issued but unused letters of credit | 671,317 | - | - | - | - | 671,317 |
| Other guarantees | 13,012,636 | 5,117,400 | 20,000 | - | 450,000 | 18,600,036 |
| Total | $ 209,441,192 | $ 5,117,400 | $ 20,000 | $ - | $ 450,000 | $ 215,028,592 |

e. Market risk

1) Definition and scope of market risk

Market risk is the risk that unfavorable changes in market prices, such as interest rates, foreign exchange rates, equity prices and commodity prices will affect the Bank's income or its holdings of on- and off-balance sheet positions. The Bank's market risk mainly comes from equity investment securities, interest rates and foreign exchange rates.

2) Management policies of market risk

The Bank develops appropriate management process to identify, measure and monitor market risk, and to effectively manage and control credit limits, valuation of profits and losses, sensitivity analysis and stress tests of each financial instrument position. Besides, the Bank takes appropriate management strategy while facing market risk in its daily operating activities and management processes.

The Bank separates its exposure to market risk in banking book and trading book, which are managed, monitored and disclosed by the Risk Management Department. A summary report, including suggestion, is submitted regularly to the Risk Management Committee and the Board of Directors.

3) Market risk management process

a) Recognition and measurement

The risk measurement system is identify the market risk factors of the exposure positions first, then measuring the risks assumed in on- and off-balance sheet trading positions by change in market risk factors (interest rates, stock price, foreign exchange rates and commodity price) etc. Risk measurement adds sensitivity analysis (DV01, Delta, Beta) etc. or situational analysis, to assess the changes in the value of the asset portfolio. And perform stress testing in accordance with the regulations of the administration, to measure abnormal losses under extreme conditions.

b) Monitoring and reporting

The Bank's Risk Management Department regularly reviews market risk management objective, positions and control of gain and loss, sensitivity analysis and pressure test and reports to the Risk Management Committee and the Board of Directors to well understand the situation of market risk control. The Bank has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management.

4) Management process of interest risk

Interest rate risk is the risk of loss or changes in the fair value resulting from interest rate or credit spread fluctuations. It includes interest rates or credit spread related to securities and derivative instruments.

The Bank separates the interest rate risk positions between trading book and banking book. Financial instruments and commodity positions held for trading purpose or to hedge against trading book positions are carried in trading book. Positions held for trading purpose are those held with the intention of profiting from actual or forecast spread. Positions not belonging to trading book are carried in banking book.

Management of interest rate risk in trading book

a) Management process

To limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions.

b) Valuation methods

Securities are marked-to-market, and the risk of interest rate related derivative instruments are measured using DV01 and Vega. Both stop loss limits are controlled on a daily basis.

Management of interest rate risk in banking book

Interest rate risk management of banking book is to improve interest risk management, capital efficiency and business operations.

a) Strategies

To improve its capacity to adapt to changes, the Bank measures, manages and hedges changes in its profits and losses and economic values of balance sheet items arising from interest rate fluctuations.

b) Management process

Prior to undertaking interest rates related business, the Bank identifies re-pricing and yield curve risks, and measures the possible impact of changes in interest rate on profits and losses. The Bank analyzes and monitors position limits and various risk management objectives in respect of interest rates on a quarterly basis, and the results are submitted regularly to the Asset and Liability Management Committee and the Board of Directors.

If the risk management objectives are found to be in excess of designated limits during the monitoring process, the Bank will report to the Asset and Liability Management Committee and propose remedial action to be taken.

c) Valuation methods

Interest rate risk measures the re-pricing risk arising from different maturity or re-pricing dates of assets and liabilities carried in the banking book. To stabilize long-term profitability taking into account business growth, the Bank sets up various monitoring indexes, such as the ratio of interest rate sensitivity gap over total assets, for key holding periods. Those indexes are reported to and reviewed by management periodically.

5) Management of foreign exchange risk

a) Definition of foreign exchange risk

Foreign exchange risk is the risk of loss or changes in fair value arising from open positions in currency due to exchange rate fluctuations. Foreign exchange transactions include spot exchange, forward exchange, non-deliverable forward and foreign currency option between New Taiwan dollars and a foreign currency or between two foreign currencies.

b) Foreign exchange risk management policies, process and valuation methods

To manage foreign exchange risk and limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions. Spot exchange, forward exchange, non-deliverable forward and foreign currency option are controlled collectively using Delta; foreign currency option is controlled using Vega. The stop loss limits are controlled on a daily basis.

c) Concentration of foreign exchange risk

Information on concentration of foreign currency exposures at the balance sheet date is shown in Note 41.

6) Management of equity securities market risk

a) Definition of equity market risk

Equity market risk is the risk arising from open positions in equity securities as a result of fluctuations in the market prices of individual securities.

b) Management processes of equity market risk

The Bank sets gross limits on overall positions, by industries, and by groups. For stock listed on TWSE and TPEx and beneficiary certificates, the Bank sets the limit of investment in each stock and stop loss/gain limits on overall and particular positions, which are monitored daily.

A stop loss/gain order would be executed once a given stop price has been reached; otherwise, traders should report to the manager of its department, including reasons for not executing stop loss/gain order.

c) Measurement

The Bank manages market risk on the basis of closing prices of equity securities.

7) Valuation techniques of market risk

a) Stress tests

Stress tests are performed by the Risk Management Department at least once a year to assess the impact of risk factors that have become extremely volatile on asset portfolios and risk tolerance, and to ensure that the Bank will be able to handle potential losses incurred during extreme, but plausible, events.

The Bank applies market risk factors sensitivity analysis to analyze the impact on asset that could arise under extreme scenarios:

i. Interest rate: Evaluate impacts on the values of interest-rate-based securities if yield curves move in parallel manner.

ii. Foreign exchange: Evaluate impacts on changes in foreign exchange rates.

iii. Equity securities: Evaluate impacts on volatility of changes in stock prices and its related derivatives.

iv. Commodity: Evaluate impacts on volatility of changes in commodity prices and its related derivatives.

The Bank will submit the results of stress tests to the Risk Management Committee and the Board of Directors as a reference of the Bank's ability to counter adverse economic conditions.

b) Sensitivity analysis

i. Interest rate sensitivity

Interest rate factor sensitivity ("DV01" or "PVBP") measured at the balance sheet date is the impact on the discounted future cash flows of bonds and interest-rate-based derivative instruments for 1 basis points ("bps") parallel shift in all yield curves or credit spread.

Assuming all other variables remain constant, where the interest rate increases/decreases by 1 bps, there would be a decrease of $8,070 thousand and an increase of $5,846 thousand in income before income tax for the year ended December 31, 2019. There would be a decrease of $10,472 thousand and an increase of $10,462 thousand in income before income tax for the year ended December 31, 2018. There would be a decrease/increase of $16,886 thousand and $18,572 thousand in other comprehensive income for the years ended December 31, 2019 and 2018, respectively.

ii. Foreign exchange sensitivity

Foreign exchange rate factor sensitivity ("FX Delta") measured at the balance sheet date is the impact on the values of foreign exchange positions for a 1% change in foreign exchange rates.

Where the foreign exchange increases/decreases by 1%, assuming all other variables remain constant, there would be an increase/decrease of $158,276 thousand and $169,021 thousand in income before income tax for the year ended December 31, 2019 and 2018, respectively.

iii. Equity securities market risk

Equity securities market factor sensitivity measured at the balance sheet date is the impact on the values of open positions in equity securities for a 1% change in stock market prices.

Where the securities prices increases/decreases by 1%, assuming all other variables remain constant, there would be an increase/decrease of $13,804 thousand and $6,085 thousand in income before income tax for the year ended December 31, 2019 and 2018 respectively. There would be an increase/decrease of $12,081 thousand and $12,658 thousand in other comprehensive income for the years ended December 31, 2019 and 2018, respectively.

f. Transfer of financial assets

In the daily transactions of the Bank, most of the transferred financial assets not eligible for derecognition in full are bonds under repurchase agreement. The cash flows of those financial assets have been transferred to outsiders. The Bank is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period. However, the Bank is still exposed to interest rate risks and credit risks. As a result, the transferred financial assets are not derecognized. The liabilities of repurchasing the transferred financial assets in an agreed amount have been recognized. The following tables show the transferred financial assets not eligible for derecognition in full and related amounts.

| Types of Financial Assets | Book Value of Transferred Financial Assets | Book Value of Related Financial Liabilities | Fair Value of Transferred Financial Assets | Fair Value of Related Financial Liabilities | Net Position of Fair Value |
|---|---|---|---|---|---|
| FVTOCI - transactions under repurchase agreements | | | | | |
| December 31, 2019 | $ 10,281,012 | $ 9,675,529 | $ 10,281,012 | $ 9,675,529 | $ 605,483 |
| December 31, 2018 | 15,447,755 | 14,665,794 | 15,447,755 | 14,665,794 | 781,961 |

g. Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality of loans

Nonperforming loans and nonperforming receivables of the Bank

| Business \ Item | | | December 31, 2019 | | | | |
|---|---|---|---|---|---|---|---|
| | | | Nonperforming Loans (Note a) | Loans | Ratio of Nonperforming Loans (Note b) | Allowance for Possible Losses | Coverage Ratio (Note c) |
| Corporate Banking | Secured | | 321,175 | 50,905,884 | 0.63% | 623,563 | 194.15% |
| | Unsecured | | 257,292 | 112,077,713 | 0.23% | 1,695,501 | 658.98% |
| Consumer Banking | Residential mortgage (Note d) | | 171,960 | 127,954,177 | 0.13% | 2,006,846 | 1,167.04% |
| | Cash card | | - | - | - | - | - |
| | Small-scale credit loan (Note e) | | 261,439 | 24,253,951 | 1.08% | 435,824 | 166.70% |
| | Others (Note f) | Secured | 74,846 | 69,266,784 | 0.11% | 744,703 | 994.98% |
| | | Unsecured | 1,136 | 5,741,919 | 0.02% | 69,174 | 6,089.26% |
| Total | | | 1,087,848 | 390,200,428 | 0.28% | 5,575,611 | 512.54% |
| Business \ Item | | | Nonperforming Receivables | Accounts Receivable | Ratio of Nonperforming Receivables | Allowance for Possible Losses | Coverage Ratio |
| Credit card | | | 45,664 | 14,857,103 | 0.31% | 411,420 | 900.97% |
| Accounts receivable factored without recourse (Note g) | | | - | 3,579,407 | - | 27,053 | - |

| Business | Item | | December 31, 2018 | | | | |
|---|---|---|---|---|---|---|---|
| | | | Nonperforming Loans (Note a) | Loans | Ratio of Nonperforming Loans (Note b) | Allowance for Possible Losses | Coverage Ratio (Note c) |
| Corporate Banking | Secured | | $ 399,735 | $ 55,072,485 | 0.73% | $ 771,445 | 192.99% |
| | Unsecured | | 26,210 | 109,101,455 | 0.02% | 1,307,531 | 4,988.67% |
| Consumer Banking | Residential mortgage (Note d) | | 175,415 | 123,690,577 | 0.14% | 1,950,925 | 1,112.18% |
| | Cash card | | - | - | - | - | - |
| | Small-scale credit loan (Note e) | | 229,975 | 22,122,691 | 1.04% | 390,942 | 169.99% |
| | Others (Note f) | Secured | 78,062 | 69,335,436 | 0.11% | 744,497 | 953.73% |
| | | Unsecured | 2,941 | 5,600,373 | 0.05% | 69,559 | 2,365.15% |
| Total | | | 912,338 | 384,923,017 | 0.24% | 5,234,899 | 573.79% |
| Business | Item | | Nonperforming Receivables | Accounts Receivable | Ratio of Nonperforming Receivables | Allowance for Possible Losses | Coverage Ratio |
| Credit card | | | 42,987 | 14,417,111 | 0.30% | 432,188 | 1,005.39% |
| Accounts receivable factored without recourse (Note g) | | | - | 2,769,097 | - | 31,690 | - |

Note a: Nonperforming credit cards receivables represent the amounts of nonperforming receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note b: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming credit cards receivables: Nonperforming credit cards receivables ÷ Outstanding credit cards receivables balance.

Note c: Coverage ratio of allowance for possible losses for loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of allowance for possible losses for credit cards receivables: Allowance for possible losses for credit cards receivables ÷ Nonperforming credit cards receivables.

Note d: Residential mortgage is a loan given to the borrower who provides a house, to be purchased (or already owned) by the borrower or the spouse or the minor children of the borrower, as a mortgage to the Bank and will use the loan for house purchase or refurbishment.

Note e: Small-scale credit loans refer to the loans under the Banking Bureau's regulation, dated December 19, 2005 (Ref. No. 09440010950), but excluding small-scale unsecured loans obtained through credit cards and cash cards.

Note f: Other loans of consumer banking refer to secured or unsecured loans, excluding residential mortgage, cash card, small-scale credit loans and credit card.

Note g: As required by the Banking Bureau's letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as nonperforming receivables in three months upon the factors' or insurance companies' rejection of claims.

Nonperforming loans and nonperforming receivables excluded from the information stated above

| Item / Business | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Nonperforming Loans Excluded | Nonperforming Receivables Excluded | Nonperforming Loans Excluded | Nonperforming Receivables Excluded |
| Loans not classified as NPL upon debt restructuring and performed as agreed (Note a) | $ 44,549 | $ 133,433 | $ 64,037 | $ 184,939 |
| Loans upon performance of a debt discharge program and rehabilitation program (Note b) | 901,221 | 962,485 | 791,658 | 1,005,612 |
| Total | 945,770 | 1,095,918 | 855,695 | 1,190,551 |

Note a: Supplementary disclosure related to the loans which need not be classified as NPL upon debt restructuring and performed as agreed, as stipulated in the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note b: About the Bank disclosures information and enumerates credit for case of pre-negotiation, pre-mediation, debt settlement proceedings and liquidation under Statute for Consumer Debt Clearance, as stipulated in the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and dates September 20, 2016 (Ref. No. 10500134790)

2) Concentration of credit extensions

| Ranking (Note a) | December 31, 2019 | | |
|---|---|---|---|
| | Group Entity (Note b) Industry and Code (Note a) | Total Balances of Credit Extensions (Note c) | Ratio of Credit Extensions to Net Worth (%) |
| 1 | A Group - 6700 - real estate development | $ 12,256,000 | 26% |
| 2 | B Group - 6499 - non-categorized and other financial services | 4,419,750 | 9% |
| 3 | C Group - 1111 - Spinning of yarn, cotton and wool | 4,028,754 | 9% |
| 4 | D Group - 6496 - private financing industry | 3,865,629 | 8% |
| 5 | E Group - 4841 - retail of motor vehicles | 3,817,165 | 8% |
| 6 | F Group - 2630 - bare Printed Circuit Boards Manufacturing | 3,332,026 | 7% |
| 7 | G Group - 6491 - financial leasing industry | 3,100,042 | 7% |
| 8 | H Group - 3510 - electricity transmission and distribution enterprise | 2,832,767 | 6% |
| 9 | I Group - 4210 - road engineering | 2,600,359 | 5% |
| 10 | J Group - 6700 - real estate development | 2,600,010 | 5% |

| Ranking (Note a) | December 31, 2018 | | |
|---|---|---|---|
| | Group Entity (Note b) Industry and Code (Note a) | Total Balances of Credit Extensions (Note c) | Ratio of Credit Extensions to Net Worth (%) |
| 1 | A Group - 6700 - real estate development | $ 9,501,000 | 21% |
| 2 | B Group - 6499 - non-categorized and other financial services | 3,831,176 | 9% |
| 3 | D Group - 6496 - private financing industry | 3,725,413 | 8% |
| 4 | E Group - 4841 - retail of motor vehicles | 3,027,281 | 7% |
| 5 | J Group - 6700 - real estate development | 2,971,350 | 7% |
| 6 | I Group - 4210 - road engineering | 2,820,240 | 6% |
| 7 | K Group - 5260 - air transportation assistance | 2,815,985 | 6% |
| 8 | C Group - 2411 - smelting and refining of iron and steel | 2,469,000 | 6% |
| 9 | F Group - 2630 - bare Printed Circuit Boards Manufacturing | 2,225,583 | 5% |
| 10 | L Group - 2859 - other household appliances manufacturing | 2,161,075 | 5% |

Note a: The rankings above represent the top 10 corporate entities except for government or state-owned enterprises, based on the total balance of credit extension granted by the Bank. The amount of credit extensions should be disclosed in aggregate for each group entity, the code and industry of which are also required. The industry of the group entities is designated as the industry of the individual group entity with the greatest risk exposure. The lines of industry should conform to the industry sub-categorization of the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note b: "Group Entity" is defined in Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note c: Credit extension balance includes various loans (import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans; and nonaccrual loans), bills purchased, factored accounts receivable without recourse, acceptances and guarantees.

3) Interest rate sensitivity

Table 1: For New Taiwan dollar items

**Interest Rate Sensitivity Analysis**
**December 31, 2019**

| Items | 1 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year | Total |
|---|---|---|---|---|---|
| Interest rate-sensitive assets | $ 293,639,973 | $ 155,543,117 | $ 6,367,359 | $ 40,261,588 | $ 495,812,037 |
| Interest rate-sensitive liabilities | 181,067,999 | 174,602,478 | 86,545,266 | 25,587,610 | 467,803,353 |
| Interest rate sensitivity gap | 112,571,974 | (19,059,361 ) | (80,177,907 ) | 14,673,978 | 28,008,684 |
| Net worth | | | | | 47,284,413 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 105.99% |
| Ratio of interest rate-sensitivity gap to net worth | | | | | 59.23% |

**Interest Rate Sensitivity Analysis**
**December 31, 2018**

| Items | 1 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year | Total |
|---|---|---|---|---|---|
| Interest rate-sensitive assets | $ 290,024,783 | $ 146,052,263 | $ 5,650,758 | $ 30,665,306 | $ 472,393,110 |
| Interest rate-sensitive liabilities | 152,122,187 | 152,884,130 | 102,738,671 | 18,929,935 | 426,674,923 |
| Interest rate sensitivity gap | 137,902,596 | (6,831,867) | (97,087,913) | 11,735,371 | 45,718,187 |
| Net worth | | | | | 44,744,740 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 110.71% |
| Ratio of interest rate-sensitivity gap to net worth | | | | | 102.18% |

Note a: The New Taiwan dollar amounts held by the Bank.

Note b: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

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

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

Table 2: For U.S. dollar items

**Interest Rate Sensitivity Analysis**
**December 31, 2019**

**(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 rate-sensitive assets | $ 2,758,096 | $ 167,878 | $ 58,942 | $ 43,264 | $ 3,028,180 |
| Interest rate-sensitive liabilities | 2,112,017 | 1,102,300 | 295,972 | - | 3,510,289 |
| Interest rate sensitivity gap | 646,079 | (934,422) | (237,030) | 43,264 | (482,109) |
| Net worth | | | | | 1,570,598 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 86.27% |
| Ratio of interest rate-sensitivity gap to net worth | | | | | (30.70%) |

**Interest Rate Sensitivity Analysis**
**December 31, 2018**

**(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 rate-sensitive assets | $ 2,920,039 | $ 202,692 | $ 35,945 | $ 99,853 | $ 3,258,529 |
| Interest rate-sensitive liabilities | 2,483,940 | 1,112,830 | 159,579 | - | 3,756,349 |
| Interest rate sensitivity gap | 436,099 | (910,138) | (123,634) | 99,853 | (497,820) |
| Net worth | | | | | 1,455,918 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 86.75% |
| Ratio of interest rate-sensitivity gap to net worth | | | | | (34.19%) |

Note a: The total U.S. dollar amounts held by the Bank, excluding contingent assets and liabilities.

Note b: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

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

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

4) Profitability

| Items | | For the Year Ended December 31, 2019 | For the Year Ended December 31, 2018 |
|---|---|---|---|
| Return on total assets | Before tax | 0.66% | 0.68% |
| | After tax | 0.57% | 0.59% |
| Return on equity | Before tax | 9.25% | 9.30% |
| | After tax | 7.89% | 8.05% |
| Net income ratio | | 30.99% | 31.41% |

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

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

Note c: Net income ratio = Income after income tax ÷ Total net profit.

5) Maturity analysis of assets and liabilities

a) For New Taiwan dollar items

**December 31, 2019**

| | Total | Amount for Remaining Period to Maturity | | | | | |
|---|---|---|---|---|---|---|---|
| | | 0 to 10 Days | 11 to 30 Days | 31 Days to 90 Days | 91 Days to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | $ 663,480,803 | $ 121,026,089 | $ 66,894,523 | $ 111,522,829 | $ 49,508,634 | $ 59,985,930 | $ 254,542,798 |
| Main capital outflow on maturity | 806,062,108 | 48,773,874 | 72,871,353 | 164,557,038 | 159,322,007 | 171,115,580 | 189,422,256 |
| Gap | (142,581,305) | 72,252,215 | (5,976,830) | (53,034,209) | (109,813,373) | (111,129,650) | 65,120,542 |

**December 31, 2018**

| | Total | Amount for Remaining Period to Maturity | | | | | |
|---|---|---|---|---|---|---|---|
| | | 0 to 10 Days | 11 to 30 Days | 31 Days to 90 Days | 91 Days to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | $ 657,048,134 | $ 108,223,432 | $ 83,033,715 | $ 99,353,166 | $ 67,996,227 | $ 60,087,823 | $ 238,353,771 |
| Main capital outflow on maturity | 793,951,803 | 46,921,837 | 80,819,341 | 163,285,185 | 146,268,581 | 190,698,533 | 165,958,326 |
| Gap | (136,903,669) | 61,301,595 | 2,214,374 | (63,932,019) | (78,272,354) | (130,610,710) | 72,395,445 |

Note: This table refers to the New Taiwan dollar amounts held by the Bank.

b) For U.S. dollar items

**December 31, 2019**

**(In Thousands of U.S. Dollars)**

| | Total | Amount for Remaining Period to Maturity | | | | |
|---|---|---|---|---|---|---|
| | | 1 to 30 Days | 31 Days to 90 Days | 91 Days to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | $ 9,006,380 | $ 2,523,001 | $ 2,305,104 | $ 1,294,458 | $ 942,218 | $ 1,941,599 |
| Main capital outflow on maturity | 9,880,760 | 3,187,676 | 3,810,174 | 843,210 | 997,182 | 1,042,518 |
| Gap | (874,380) | (664,675) | (1,505,070) | 451,248 | (54,964) | 899,081 |

**December 31, 2018**

**(In Thousands of U.S. Dollars)**

| | Total | Amount for Remaining Period to Maturity | | | | |
|---|---|---|---|---|---|---|
| | | 1 to 30 Days | 31 Days to 90 Days | 91 Days to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | $ 10,744,093 | $ 4,099,117 | $ 2,644,604 | $ 1,443,831 | $ 567,614 | $ 1,988,927 |
| Main capital outflow on maturity | 11,435,866 | 5,053,597 | 3,122,668 | 1,643,749 | 747,525 | 868,327 |
| Gap | (691,773) | (954,480) | (478,064) | (199,918) | (179,911) | 1,120,600 |

Note: This table refers to the U.S. dollar amounts held by the Bank.

## 44. CAPITAL MANAGEMENT

a. Objective of capital management

1) Unconsolidated regulatory capital and the consolidated regulatory capital should meet the requirements of the related regulations. The basic goal of the Bank's capital management is to meet the minimum ratio of regulatory capital and risk assets (the "capital adequacy ratio") according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks" enacted based on the "Banking law."

2) In order to maintain an adequate level of capital to bear various risks, the Bank makes capital planning based on the operating plans and budget, the development strategies, dividend policy and stress tests and forecasts of capital adequacy which are approved by the Board of Directors. The objective is to optimize assets allocation and strengthen capital structure.

b. Procedure of capital management

1) The calculation of the Bank's capital adequacy ratio is based on the "Regulations Governing the Capital Adequacy and Capital Category of Banks" enacted by the Financial Supervisory Commission and the related information is reported to the competent authority on a regular basis.

2) In order to monitor capital adequacy ratio, the execution and changes in the parameters of the capital planning are reviewed quarterly by the Bank's Assets and Liabilities Management Committee. The committee assesses whether the Bank's capital is able to respond to various risks and whether the objective of capital management is met.

The calculations of regulatory capital, risk-weighted assets and capital adequacy ratio were as follows:

| | | | December 31, 2019 | |
|---|---|---|---|---|
| | | | Unconsolidated | Consolidated |
| Regulatory capital | Common equity | | $ 43,803,077 | $ 44,327,124 |
| | Additional Tier I capital | | 1,909,528 | 2,441,893 |
| | Tier II capital | | 10,844,574 | 11,940,847 |
| | Total common capital | | 56,557,179 | 58,709,864 |
| Risk-weighted assets | Credit risk | Standardized approach | 380,798,943 | 383,322,495 |
| | | Internal rating-based approach | - | - |
| | | Asset securitization | 873,284 | 873,284 |
| | Operational risk | Basic indicator approach | 19,809,625 | 20,256,763 |
| | | Standardized approach/alternative standardized approach | - | - |
| | | Advanced measurement approach | - | - |
| | Market risk | Standardized approach | 14,451,488 | 14,451,488 |
| | | Internal models approach | - | - |
| | Total risk-weighted assets | | 415,933,340 | 418,904,030 |
| Capital adequacy ratio | | | 13.60% | 14.02% |
| Ratio of common equity to risk-weighted assets | | | 10.53% | 10.58% |
| Ratio of Tier I capital to risk-weighted assets | | | 10.99% | 11.16% |
| Leverage ratio | | | 6.11% | 6.24% |

| | | | December 31, 2018 | |
|---|---|---|---|---|
| | | | Unconsolidated | Consolidated |
| Regulatory capital | Common equity | | $ 41,848,384 | $ 42,076,829 |
| | Additional Tier I capital | | 2,193,441 | 2,448,097 |
| | Tier II capital | | 9,014,910 | 9,544,444 |
| | Total common capital | | 53,056,735 | 54,069,370 |
| Risk-weighted assets | Credit risk | Standardized approach | 367,484,931 | 369,490,534 |
| | | Internal rating-based approach | - | - |
| | | Asset securitization | 215,318 | 215,318 |
| | Operational risk | Basic indicator approach | 19,200,700 | 19,686,600 |
| | | Standardized approach/alternative standardized approach | - | - |
| | | Advanced measurement approach | - | - |
| | Market risk | Standardized approach | 11,098,400 | 11,098,400 |
| | | Internal models approach | - | - |
| | Total risk-weighted assets | | 397,999,349 | 400,490,852 |
| Capital adequacy ratio | | | 13.33% | 13.50% |
| Ratio of common equity to risk-weighted assets | | | 10.51% | 10.51% |
| Ratio of Tier I capital to risk-weighted assets | | | 11.07% | 11.12% |
| Leverage ratio | | | 6.14% | 6.19% |

Note a: Regulatory capital, risk-weighted assets and exposure measurement are calculated under the "Regulations Governing the Capital Adequacy and capital category of Banks" and the "The Methods for Calculating the Bank's regulatory Capital and Risk-weighted Assets " amended by the FSC on November 16, 2017.

Note b: An annual report should include both the current year's and prior year's capital adequacy ratio, but a semiannual report should include the capital adequacy ratio of the most recent year.

Note c: Formulas used were as follows:

1) Regulatory capital = Common equity + Additional Tier I capital + Tier II capital.

2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk and market risk) × 12.5.

3) Capital adequacy ratio = Regulatory capital/Total risk-weighted assets.

4) Ratio of Common equity to risk-weighted assets = Common equity/Total risk-weighted assets.

5) Ratio of Tier I capital to risk-weighted assets = (Common equity + Additional Tier I capital)/Total risk-weighted assets.

6) Leverage ratio = Net Tier I capital/Exposure measurement.

## 45. SEGMENT INFORMATION

Information provided to the Bank's and its subsidiaries' chief operating decision makers for resource allocation and segment performance assessment focuses on nature of operation and profits. Based on IFRS 8 - "Operating Segments," the reportable segments were as follows:

a. Individual banking: Mainly includes consumer banking loans such as mortgages, credit loans, car loans, installment, etc.; credit cards; individual deposits; and wealth management;

b. Corporate banking: Mainly includes corporate-related business, foreign-currency business and financial market business;

c. Others: Any business not included in individual and corporate banking.

The accounting policies of the reportable segments are the same as those stated in Note 4 to the consolidated financial reports.

**Segment Income and Operating Results**

The income and operating results of the reportable segments of the Bank and its subsidiaries were as follows:

| | Individual Banking | Corporate Banking (Including Overseas Branches) | Others | Total |
|---|---|---|---|---|
| For the year ended December 31, 2019 | | | | |
| Net interests | $ 4,643,467 | $ 2,417,910 | $ (1,603,565) | $ 5,457,812 |
| Net revenues other than interest | | | | |
| Net service fee income | 2,266,022 | 789,589 | 415,749 | 3,471,360 |
| Other net income | 276,624 | 2,196,806 | 319,078 | 2,792,508 |
| Consolidated net revenues | 7,186,113 | 5,404,305 | (868,738) | 11,721,680 |
| Reversal of (provision for) bad debt expenses | (105,512) | (410,910) | 4,674 | (511,748) |
| Operating expenses | (4,861,471) | (1,512,455) | (579,129) | (6,953,055) |
| Segment income before income tax | $ 2,219,130 | $ 3,480,940 | $ (1,443,193) | $ 4,256,877 |

(Continued)

| For the year ended December 31, 2018 | Individual Banking | Corporate Banking (Including Overseas Branches) | Others | Total |
|---|---|---|---|---|
| Net interests | $ 4,536,177 | $ 2,500,350 | $ (1,355,724) | $ 5,680,803 |
| Net revenues other than interest | | | | |
| Net service fee income | 2,173,824 | 713,603 | 243,346 | 3,130,773 |
| Other net income | 262,960 | 1,387,386 | 756,355 | 2,406,701 |
| Consolidated net revenues | 6,972,961 | 4,601,339 | (356,023) | 11,218,277 |
| Reversal of (provision for) bad debt expenses | (158,110) | (280,608) | (76,085) | (514,803) |
| Operating expenses | (4,721,871) | (1,349,304) | (563,820) | (6,634,995) |
| Segment income before income tax | $ 2,092,980 | $ 2,971,427 | $ (995,928) | $ 4,068,479 |

(Concluded)

## 46. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

1) Marketable securities acquired and disposed of at cost or prices at least NT$300 million or 10% of the paid-in capital: Table 1 (attached)

2) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the paid-in capital: Nil

3) Disposal of individual real estate at prices of at least NT$300 million or 10% of the paid-in capital: Nil

4) Service charge discounts on transactions with related parties in aggregated amount of at least NT$5 million: Nil

5) Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: Nil

6) Sale of nonperforming loans: Nil

7) The type and related information of any securitization product that has been approved in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act: Nil

8) Intercompany relationships and significant intercompany transactions: Table 2 (attached)

9) Other significant transactions which may have effects on decision making of financial statement users: Nil

b. Information of subsidiaries' financings provided, endorsement/guarantee provided, marketable securities held, marketable securities acquired and disposed of at cost or prices at least NT$300 million or 10% of the paid-in capital and derivative transactions: Table 1,3 and Table 4 (attached)

c. Related information of investees on which the Bank exercises significant influence: Table 5 (attached)

d. Information about branches and investments in mainland China: Table 6 (attached)

TABLE 1

## FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES OR INVESTEE INVESTMENT ACQUIRED AND DISPOSED OF, AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars)**

| Trading Company | Name | Financial Statement Account | Counterparty | Relationship | Beginning | | Buy | | Sell | | | | Ending | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares (In Thousands) | Amount | Shares (In Thousands) | Amount (Note) | Shares (In Thousands) | Price | Book Value | Disposal of Profit and Loss | Shares (In Thousands) | Amount |
| Far Eastern International Bank Ltd. | Far Eastern Asset Management Co., Ltd. | Equity investments under the equity method | - | Subsidiary of the Bank | 68,400 | $ 683,922 | 100,000 | $ 1,003,968 | - | $ - | $ - | $ - | 168,400 | $ 1,687,890 |
| Far Eastern Asset Management Co., Ltd. | FEIB Financial Leasing Co., Ltd. | Equity investments under the equity method | - | Subsidiary of FEAMC | - | 306,040 | - | 614,346 | - | - | - | - | - | 920,386 |

Note: The acquisition amount includes capital increase, current investment gain, cash dividends received by current and exchange differences on translating foreign operations, etc.

## FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars)**

| No. | Company Name | Counterparty | Flow of Transaction | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Terms | Percentage of Consolidated Net Profit or Consolidated Total Assets (Note b) |
| 0 | Far Eastern International Bank Ltd. | Far Eastern Asset Management Co., Ltd. | From parent company to subsidiary | Deposits and remittances | $ 17,066 | Note 3 | - |
| | | Far Eastern International Securities Co., Ltd. | From parent company to subsidiary | Deposits and remittances | 338,973 | Note 3 | 0.05 |
| | | Far Eastern International Securities Co., Ltd. | From parent company to subsidiary | Service charge | 7,018 | Note 3 | 0.06 |
| | | Far Eastern International Securities Co., Ltd. | From parent company to subsidiary | Loss on disposal of financial assets at FVTPL | 1,140 | Note 3 | 0.01 |
| 1 | Far Eastern Asset Management Co., Ltd. | Far Eastern International Bank Ltd. | From subsidiary to parent company | Cash and cash equivalents | 17,066 | Note 3 | - |
| 2 | Far Eastern International Securities Co., Ltd. | Far Eastern International Bank Ltd. | From subsidiary to parent company | Cash and cash equivalents | 338,973 | Note 3 | 0.05 |
| | | Far Eastern International Bank Ltd. | From subsidiary to parent company | Service fee | 8,158 | Note 3 | 0.07 |

Note 1: Transacting parties are identified as follows: Number 0 - parent company; and number 1 and the following numbers - subsidiaries.

Note 2: The ratio is calculated as follows: For asset and liability accounts = Transaction amount/Consolidated total assets; and for income and expenses = Transaction amount/Consolidated net profit.

Note 3: The terms of intercompany transactions are not significantly different from those to third parties.

TABLE 3

## FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**SUBSIDIARIES' FINANCING PROVIDED TO OTHERS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, In Thousand Shares)**

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing (Note 2) | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 3) | Aggregate Financing Limit (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | FEIB Financial Leasing Co., Ltd. | A company | Other receivables | No | $ 21,610 | $ 21,610 | $ 19,449 | 6%-10% | a | $ 895 | - | $ 194 | Real estate | $ 32,609 | $ 920,386 | $ 920,386 |

Note 1: No. column is coded as follows:

a. The Issuer is coded "0".
b. The investees are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The nature of financing is described as follows:

a. Business transaction is coded "1".
b. Short-term financing is coded "2".

Note 3: The limits on financing are as follows:

a. Financing limit for each borrower

1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

2) In the case of lending funds to the companies or firms in need of short-term financing, the total lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

b. Aggregate financing limit

1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total accumulation lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

2) In the case of lending funds to the companies or firms in need of short-term financing, the total accumulation lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

## FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**INFORMATION OF SUBSIDIARIES' GUARANTEE PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, In Thousand Shares)**

| No. (Note 1) | Company Providing Endorsements/Guarantees | Receiving Party | | Limits on Endorsements/ Guarantees Amount Provided to Each Entity (Note 3) | Maximum Balance for the Period | Ending Balance | Drawdown Amounts | Amount of Endorsements/ Guarantees Collateralized by Property | Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Most Current Financial Statement (%) | Maximum Endorsements/ Guarantees Amount Allowable (Note 3) | Guarantee Provided by Parent Company | Guarantee Provided by A Subsidiary | Guarantee Provided to Subsidiaries in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Nature of Relationship (Note 2) | | | | | | | | | | | |
| 1 | Far Eastern Asset Management Co., Ltd. | FEIB Financial Leasing Co., Ltd. | b | $ 9,203,862 (US$ 300,000 thousand) | $ 69,152 | $ 69,152 | $ - | $ - | 0.41 | $ 16,878,903 | N | N | Y | |

Note 1: No. column is coded as follows:

a. The Issuer is coded "0".
b. The investees are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: No. column is coded as follows:

a. A company with which it does business.
b. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
c. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
d. Companies hold, directly or indirectly, 90% or more of the voting shares for each other.
e. Where a company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
f. Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages
g. Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3: According to the FEAMC's "Regulations of Endorsements/Guarantees", the limit of amount of its endorsements/guarantees for any single subsidiaries is 10 times of the total amount invested in this subsidiaries, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the company.

TABLE 5

## FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**RELATED INFORMATION OF INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars)**

| Investee Company | Location | Main Business and Product | Percentage of Ownership (%) | Carrying Amount | Investment Income (Loss) Recognized | The Proportionate Share of the Bank, Its Subsidiaries and Their Affiliates in Investees | | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Present Shares (In Thousands) | Pro Forma Shares | Total | | |
| | | | | | | | | Shares (In Thousands) | Percentage of Ownership (%) | |
| Held by the Bank | | | | | | | | | | |
| Financial business | | | | | | | | | | |
| Deutsche Far Eastern Asset Management Co., Ltd. | 7F, No. 207 Dun Hwa South Road, Sec. 2, Taipei, Taiwan | Securities investment trust funds | 40.00 | $ 113,133 | $ 4,299 | 12,000 | - | 12,000 | 40.00 | |
| Dah Chung Bills Finance Corp. | 4F, 4F-1, 4F-2, 4F-3, Np. 88 Dun Hwa North Road, Taipei, Taiwan | Underwriting, dealing and brokering of short-term bills | 22.06 | 1,699,389 | 98,286 | 99,440 | - | 99,440 | 22.07 | |
| Far Eastern Asset Management Co., Ltd. | Room B, 17F, No. 207, Dun Hwa South Road, Sec. 2, Taipei, Taiwan | Purchase, evaluation, auction and management of creditor's rights to financial institutions | 100.00 | 1,687,890 | 64,562 | 168,400 | - | 168,400 | 100.00 | |
| Far Eastern International Securities Co., Ltd. | 51F, No. 7, Xinyi Road, Sec. 5, Taipei, Taiwan | Foreign securities broker, wealth management and offshore fund consulting | 100.00 | 441,568 | 106,884 | 23,000 | - | 23,000 | 100.00 | |
| Taipei Foreign Exchange Agency Co., Ltd. | 8F., No. 400, Bade Road, Sec. 2, Taipei, Taiwan | Foreign exchange, cross-currency swaps, etc. | 0.40 | 3,969 | - | 80 | - | 80 | 0.40 | |
| Sunshine Asset Management Co., Ltd. | 15F., No. 218, Dun Hwa South Road, Sec. 2, Taipei, Taiwan | Management of creditor's rights and rendering of commercial detective services | 3.46 | 2,807 | - | 207 | - | 207 | 3.46 | |
| Financial Information Service Co., Ltd. | No. 81, Kangning Road, Sec. 3, Taipei, Taiwan | Data processing service and electronic information supply | 1.14 | 291,069 | - | 5,938 | - | 5,938 | 1.14 | |
| Yuan Hsin Digital Payment Co., Ltd. | Room A, 5F., No. 1, Yuandong Road, Banqiao Dist., New Taipei City, Taiwan | Issuing electronic tickets and signing contracted institutions | 4.99 | 17,442 | - | 3,876 | - | 3,876 | 4.99 | |
| Nonfinancial business | | | | | | | | | | |
| An Feng Enterprise Co., Ltd. | 3F., No. 139, Jhengjhou Road, Taipei, Taiwan | ATM maintenance, replacement and repair | 10.00 | 4,464 | - | 300 | - | 300 | 10.00 | |
| Held by Far Eastern Asset Management Co., Ltd. | | | | | | | | | | |
| Financial business | | | | | | | | | | |
| FEIB Financial Leasing Co., Ltd. | Room 2806, Tower 1, Grand Gateway 66, No.1 Hong Qiao Road, Xuhui District, Shanghai, China | Leasing operation | 100.00 | 920,386 | 47,049 | N/A | - | N/A | 100.00 | |

## FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**INVESTMENT IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company Name | Main Business and Product | Total Paid-in Capital (Note 4) | Investment Type (Note 1) | Accumulated Outflow of Investment as of December 31, 2018 | Investment Flow (Note 4) | | Accumulated Outflow of Investment as of December 31, 2019 (Note 4) | Net Income (Loss) of Investee (Note 5) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 2 and 5) | Carrying Value as of December 31, 2019 (Note 2) | Accumulated Inward Remittance of Earnings as of December 31, 2019 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| FEIB Financial Leasing Co., Ltd. | Leasing operation | $ 920,470 (US$ 30,000 thousand) | a | $ 305,110 (US$ 10,000 thousand) | $ 615,360 (US$ 20,000 thousand) | $ - | $ 920,470 (US$ 30,000 thousand) | $ 47,049 (CNY 10,538 thousand) | 100 | $ 47,049 (CNY 10,538 thousand) | $ 920,386 | $ - | |

| Accumulated Investment in Mainland China as of December 31, 2019 (Note 4) | Investment Amount Authorized by Investment Commission, MOEA (Note 4) | Limit on Investment Authorized by Investment Commission MOEA (Note 3) |
|---|---|---|
| $920,470 (US$30,000 thousand) | $920,470 (US$30,000 thousand) | $1,012,734 |

Note 1: Routes of investment in Mainland China are listed below:

a. Direct investment.
b. Investment via third place company (state third place investment company).
c. Others.

Note 2: Calculation based on investee company's financial statements audited by a local CPA and covering the same reporting period as that of Far Eastern International Bank.

Note 3: Under the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" announced by Investment Commission, MOEA, upper limit is calculated by applicant company - Far Eastern Asset Management Co., Ltd.

Note 4: Calculated using the exchange rate at remittance date.

Note 5: Calculated using the average exchange rate for the year ended 2019.

# Far Eastern International Bank Ltd.

**Financial Statements for the**
**Years Ended December 31, 2019 and 2018 and**
**Independent Auditors' Report**

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

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

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Shareholders
Far Eastern International Bank Ltd.

**Opinion**

We have audited the accompanying financial statements of Far Eastern International Bank Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Bank's financial statements for the year ended December 31, 2019 for the Bank, which are described as follows:

Allowance for Expected Credit Losses on Loans and Receivables

As of December 31, 2019, the balances of loans and receivables in the aggregate amounted to NT $405,004,630 thousand, accounted for 62% of the total assets of the financial statements; an amount that is deemed to be significant to the financial statements. To the allowance for expected credit losses on loans and receivables, the Bank has assessed according to IFRS 9 and comply with relevant

regulations issued by authorities, whichever is higher. As the assessment on the impairment of loans and accounts receivables involved the management's critical judgments in accounting estimation and the underlying assumption, related disclosures refer to Notes 5 to the financial statements, we deemed to the allowance for expect credit losses on loans and receivables was a key audit matter.

Refer to Notes 4, 5, 13, 14 and 42 to the financial statements for disclosures related to impairment on loans and receivables.

In response to the abovementioned key audit matter, the audit procedures we performed are as follows:

1. Understand and perform tests on the Bank's internal controls relevant to loans and receivables impairment assessment.

2. Identity the potential risk of loans and receivables customers from public information, and confirm that whether to include in the appropriate assessment stage.

3. Verify whether the methodology, main assumptions and parameters (consider the probability of default, probability of loss given default and exposure at default on forward-looking information) adopted by the impairment model of expected credit losses adequately reflect the actual position and compliance with IFRS 9, and recalculate the amount of impairment.

4. Sample and review credit files to evaluate whether the loans and receivables are reasonably categorized per regulatory stipulation and recalculate for the correctness of the allowance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 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 audit resulting in this independent auditors' report are Chun-Hung Chen and Yin-Chou Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

*Notice to Readers*

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

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

## FAR EASTERN INTERNATIONAL BANK LTD.

**BALANCE SHEETS**
**DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars)**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| ASSETS | | | | |
| Cash and cash equivalents (Note 6) | $ 8,631,510 | 1 | $ 9,986,581 | 2 |
| Due from the Central Bank and other banks (Notes 7 and 36) | 27,603,298 | 4 | 27,543,032 | 4 |
| Financial assets at fair value through profit or loss (Notes 4, 5, 8, 36 and 41) | 53,015,441 | 8 | 46,507,501 | 7 |
| Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 11, 27, 37, 41 and 42) | 132,309,472 | 20 | 119,779,052 | 19 |
| Investment in debt instruments at amortized cost, net (Notes 4, 5, 10, 11 and 41) | 2,543,880 | - | 2,588,654 | - |
| Securities purchased under resale agreements, net (Notes 4, 12 and 36) | 9,944,957 | 2 | 8,289,275 | 1 |
| Receivables, net (Notes 4, 5, 13, 36 and 42) | 20,379,813 | 3 | 19,660,289 | 3 |
| Discounts and loans, net (Notes 4, 5, 14, 36 and 42) | 384,624,817 | 59 | 379,688,118 | 61 |
| Investment accounted for using equity method (Notes 4, 15 and 27) | 3,941,980 | 1 | 2,794,977 | 1 |
| Other financial assets, net (Notes 16 and 37) | 5,303,879 | 1 | 4,460,520 | 1 |
| Property and equipment, net (Notes 4 and 17) | 2,894,717 | 1 | 2,725,364 | 1 |
| Right-of-use assets, net (Notes 4 and 18) | 971,147 | - | - | - |
| Intangible assets, net (Notes 4, 5 and 19) | 1,674,119 | - | 1,699,602 | - |
| Deferred tax assets (Notes 4, 5 and 34) | 221,299 | - | 334,706 | - |
| Other assets | 217,713 | - | 161,958 | - |
| TOTAL | $ 654,278,042 | 100 | $ 626,219,629 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| LIABILITIES | | | | |
| Due to the Central Bank and other banks (Notes 20 and 42) | $ 11,137,130 | 2 | $ 15,726,723 | 3 |
| Financial liabilities at fair value through profit or loss (Notes 4, 5, 8, 36 and 41) | 3,909,304 | 1 | 2,752,479 | 1 |
| Securities sold under repurchase agreements (Notes 4, 9 and 21) | 9,675,529 | 2 | 14,665,794 | 2 |
| Payables (Notes 22 and 42) | 6,564,200 | 1 | 7,187,730 | 1 |
| Current tax liabilities (Note 4) | 357,130 | - | 179,348 | - |
| Deposits and remittances (Notes 23, 36 and 42) | 537,752,178 | 82 | 508,647,889 | 81 |
| Bank debentures (Notes 24, 41 and 42) | 25,001,900 | 4 | 18,001,900 | 3 |
| Principal received on structured products (Note 42) | 9,476,623 | 1 | 12,479,170 | 2 |
| Other financial liabilities (Note 42) | 253,896 | - | 170,780 | - |
| Provisions (Notes 4, 25 and 36) | 1,235,204 | - | 1,194,774 | - |
| Lease liabilities (Notes 4, 18, 36 and 42) | 987,337 | - | - | - |
| Other liabilities (Note 34) | 643,198 | - | 468,302 | - |
| Total liabilities | 606,993,629 | 93 | 581,474,889 | 93 |
| EQUITY (Notes 4, 9, 15 and 27) | | | | |
| Share capital | 33,558,193 | 5 | 32,691,859 | 5 |
| Capital surplus | 456,426 | - | 456,426 | - |
| Retained earnings | | | | |
| Legal reserve | 8,458,068 | 1 | 7,400,808 | 1 |
| Special reserve | 76,215 | - | 36,411 | - |
| Unappropriated earnings | 4,299,505 | 1 | 4,211,908 | 1 |
| Total retained earnings | 12,833,788 | 2 | 11,649,127 | 2 |
| Other equity | 436,006 | - | (52,672) | - |
| Total equity | 47,284,413 | 7 | 44,744,740 | 7 |
| TOTAL | $ 654,278,042 | 100 | $ 626,219,629 | 100 |

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

# FAR EASTERN INTERNATIONAL BANK LTD.

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

| | 2019 | | 2018 | | Percentage Increase (Decrease) |
|---|---|---|---|---|---|
| | Amount | % | Amount | % | % |
| INTEREST REVENUES (Notes 4, 28 and 36) | $ 11,805,327 | 104 | $ 11,261,208 | 103 | 5 |
| INTEREST EXPENSES (Notes 4, 18, 28 and 36) | 6,404,292 | 56 | 5,608,761 | 51 | 14 |
| NET INTERESTS | 5,401,035 | 48 | 5,652,447 | 52 | (4) |
| NET REVENUES OTHER THAN INTEREST | | | | | |
| Net service fee income (Notes 4, 29 and 36) | 3,031,687 | 27 | 2,859,767 | 26 | 6 |
| Net gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 5, 30, 36 and 41) | 2,173,751 | 19 | 1,504,371 | 14 | 44 |
| Net realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 27) | 117,454 | 1 | 138,491 | 1 | (15) |
| Net foreign exchange gains (Note 4) | 171,489 | 2 | 275,464 | 2 | (38) |
| Shares of profit of subsidiaries and associates for using equity method (Notes 4 and 15) | 274,031 | 2 | 160,589 | 1 | 71 |
| Gains on disposal of property (Note 4) | 81 | - | 174,804 | 2 | (100) |
| Others | 162,014 | 1 | 172,803 | 2 | (6) |
| Total net revenues other than interest | 5,930,507 | 52 | 5,286,289 | 48 | 12 |
| NET REVENUES | 11,331,542 | 100 | 10,938,736 | 100 | 4 |
| PROVISION FOR LOSS ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE (Notes 4, 13, 14 and 36) | 517,381 | 5 | 506,522 | 5 | 2 |

(Continued)

# FAR EASTERN INTERNATIONAL BANK LTD.

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

| | 2019 | | 2018 | | Percentage Increase (Decrease) |
|---|---|---|---|---|---|
| | Amount | % | Amount | % | % |
| OPERATING EXPENSES | | | | | |
| Employee benefits expense (Notes 4, 26, 31 and 36) | $ 3,813,712 | 33 | $ 3,658,016 | 33 | 4 |
| Depreciation and amortization (Notes 4, 17, 18 and 32) | 656,681 | 6 | 245,832 | 2 | 167 |
| Other general and administrative expenses (Notes 18, 33 and 36) | 2,138,992 | 19 | 2,478,111 | 23 | (14) |
| Total operating expenses | 6,609,385 | 58 | 6,381,959 | 58 | 4 |
| INCOME BEFORE INCOME TAX | 4,204,776 | 37 | 4,050,255 | 37 | 4 |
| INCOME TAX EXPENSE (Notes 4 and 34) | 572,181 | 5 | 526,054 | 5 | 9 |
| NET INCOME FOR THE YEAR | 3,632,595 | 32 | 3,524,201 | 32 | 3 |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 5, 9, 11, 15, 26, 27 and 34) | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Remeasurement of defined benefit plans | (30,495) | - | (46,657) | (1) | (35) |
| Loss on valuation of investments in equity instruments at fair value through other comprehensive income | (4,395) | - | (37,126) | - | (88) |
| Share of other comprehensive income (loss) of associates for using equity method | 2,784 | - | (4,832) | - | 158 |
| Income tax benefit relating to items that will not be reclassified subsequently to profit or loss | 6,099 | - | 23,181 | - | (74) |
| | (26,007) | - | (65,434) | (1) | (60) |

(Continued)

# FAR EASTERN INTERNATIONAL BANK LTD.

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

| | 2019 | | 2018 | | Percentage Increase (Decrease) |
|---|---|---|---|---|---|
| | Amount | % | Amount | % | % |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Exchange differences on translating foreign operations | $ (87,457) | (1) | $ 67,153 | 1 | (230) |
| Share of other comprehensive loss of subsidiaries and associates for using equity method | (36,073) | - | (22,471) | - | 61 |
| Unrealized gain (loss) on investments in debt instruments measured at fair value through other comprehensive income | 544,887 | 5 | (308,943) | (3) | 276 |
| | 421,357 | 4 | (264,261) | (2) | 259 |
| Other comprehensive income (loss) for the year | 395,350 | 4 | (329,695) | (3) | 220 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 4,027,945 | 36 | $ 3,194,506 | 29 | 26 |
| EARNINGS PER SHARE (Note 35) | | | | | |
| Basic | $1.08 | | $1.05 | | |
| Diluted | $1.08 | | $1.04 | | |

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

## FAR EASTERN INTERNATIONAL BANK LTD.

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars)**

| | | | Retained Earnings (Note 27) | | | Other Equity | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital (Note 27) | Capital Surplus (Note 27) | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations (Note 4) | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4, 9 and 27) | Total Equity |
| BALANCE AT JANUARY 1, 2018 | $ 31,829,286 | $ 456,426 | $ 6,544,643 | $ 250,703 | $ 3,691,412 | $ (8,653) | $ 22,855 | $ - | $ 42,786,672 |
| Effects of retrospective application | - | - | - | - | (12,342) | - | (22,855) | 196,065 | 160,868 |
| BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY | 31,829,286 | 456,426 | 6,544,643 | 250,703 | 3,679,070 | (8,653) | - | 196,065 | 42,947,540 |
| Appropriation of the 2017 earnings | | | | | | | | | |
| Legal reserve | - | - | 856,165 | - | (856,165) | - | - | - | - |
| Reversal of special reserves | - | - | - | (214,292) | 214,292 | - | - | - | - |
| Cash dividends - NT$0.439 per share | - | - | - | - | (1,397,306) | - | - | - | (1,397,306) |
| Stock dividends - NT$0.271 per share | 862,573 | - | - | - | (862,573) | - | - | - | - |
| | 862,573 | - | 856,165 | (214,292) | (2,901,752) | - | - | - | (1,397,306) |
| Net income for the year ended December 31, 2018 | - | - | - | - | 3,524,201 | - | - | - | 3,524,201 |
| Other comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | (24,080) | 62,470 | - | (368,085) | (329,695) |
| Total comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | 3,500,121 | 62,470 | - | (368,085) | 3,194,506 |
| Disposal of investments in equity instruments at fair value through other comprehensive income (loss) | - | - | - | - | (65,531) | - | - | 65,531 | - |
| BALANCE AT DECEMBER 31, 2018 | 32,691,859 | 456,426 | 7,400,808 | 36,411 | 4,211,908 | 53,817 | - | (106,489) | 44,744,740 |
| Effects of retrospective application | - | - | - | - | (17,138) | - | - | - | (17,138) |
| BALANCE AT JANUARY 1, 2019 AS APPLIED RETROSPECTIVELY | 32,691,859 | 456,426 | 7,400,808 | 36,411 | 4,194,770 | 53,817 | - | (106,489) | 44,727,602 |
| Appropriation of the 2018 earnings | | | | | | | | | |
| Legal reserve | - | - | 1,057,260 | - | (1,057,260) | - | - | - | - |
| Special reserve | - | - | - | 39,804 | (39,804) | - | - | - | - |
| Cash dividends - NT$0.450 per share | - | - | - | - | (1,471,134) | - | - | - | (1,471,134) |
| Stock dividends - NT$0.265 per share | 866,334 | - | - | - | (866,334) | - | - | - | - |
| | 866,334 | - | 1,057,260 | 39,804 | (3,434,532) | - | - | - | (1,471,134) |
| Net income for the year ended December 31, 2019 | - | - | - | - | 3,632,595 | - | - | - | 3,632,595 |
| Other comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | (24,867) | (125,907) | - | 546,124 | 395,350 |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | 3,607,728 | (125,907) | - | 546,124 | 4,027,945 |
| Disposal of investments in equity instruments at fair value through other comprehensive income (loss) | - | - | - | - | (68,461) | - | - | 68,461 | - |
| BALANCE AT DECEMBER 31, 2019 | $ 33,558,193 | $ 456,426 | $ 8,458,068 | $ 76,215 | $ 4,299,505 | $ (72,090) | $ - | $ 508,096 | $ 47,284,413 |

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

# FAR EASTERN INTERNATIONAL BANK LTD.

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars)**

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 4,204,776 | $ 4,050,255 |
| Adjustments for: | | |
| Depreciation | 631,198 | 220,349 |
| Amortization | 25,483 | 25,483 |
| Provision for loss on bad debts expense, commitment and guarantee | 926,484 | 965,403 |
| Net valuation loss (gain) on financial assets and liabilities at fair value through profit or loss | (593,942) | 220,958 |
| Interest expenses | 6,404,292 | 5,608,761 |
| Interest revenues | (11,805,327) | (11,261,208) |
| Dividend revenue | (127,529) | (124,637) |
| Shares of profit from subsidiaries and associates | (274,031) | (160,589) |
| Loss (gain) on disposal and retirement of property and equipment | 234 | (173,729) |
| Unrealized net loss (gain) on foreign currency exchange | 96,442 | (217,180) |
| Other adjustments | (53,022) | (79,831) |
| Changes in operating assets and liabilities | | |
| Increase in due from the Central Bank and other banks | (435,494) | (1,135,766) |
| Increase in financial assets at fair value through profit or loss | (6,304,974) | (6,101,228) |
| Increase in financial assets at fair value through other comprehensive income | (12,661,604) | (10,572,357) |
| Increase in investments in debt instruments at amortized cost | - | (385,871) |
| Decrease (increase) in receivables | (1,049,451) | 2,665,236 |
| Increase in discounts and loans | (6,737,180) | (31,530,667) |
| Increase (decrease) in due to the Central Bank and other banks | (4,591,826) | 8,330,844 |
| Increase (decrease) in financial liabilities at fair value through profit or loss | 1,156,825 | (1,566,648) |
| Increase (decrease) in payables | (378,458) | 507,702 |
| Increase in deposits and remittances | 31,137,612 | 34,068,086 |
| Increase (decrease) in principal received on structured products | (2,925,839) | 6,177,186 |
| Cash used in operations | (3,355,331) | (469,448) |
| Interest received | 11,908,746 | 11,182,540 |
| Dividends received | 127,279 | 124,637 |
| Interest paid | (6,535,404) | (5,435,815) |
| Income tax paid | (274,116) | (332,024) |
| Net cash generated from operating activities | 1,871,174 | 5,069,890 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of investments accounted for using equity method | (1,000,000) | - |
| Acquisition of property and equipment | (401,411) | (278,229) |
| Proceeds from disposal of property and equipment | 81 | 370,883 |
| Increase in other financial assets | (922,266) | (1,194,058) |
| Decrease (increase) in other assets | (59,049) | 46,758 |
| Dividends received from subsidiaries and associates | 94,028 | 101,225 |
| Net cash used in investing activities | (2,288,617) | (953,421) |

(Continued)

# FAR EASTERN INTERNATIONAL BANK LTD.

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars)**

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of Euro Convertible Bond | $ - | $ (1,586,434) |
| Proceeds from the issuance of bank debentures | 10,000,000 | 2,900,000 |
| Repayments of bank debentures | (3,000,000) | (3,500,000) |
| Increase (decrease) in securities sold under repurchase agreements | (4,836,461) | 2,030,599 |
| Repayments of the principal portion of lease liabilities | (396,792) | - |
| Increase (decrease) in other financial liabilities | 83,116 | (3,924) |
| Increase (decrease) in other liabilities | 174,896 | (38,485) |
| Cash dividends | (1,471,134) | (1,397,306) |
| Net cash generated from (used in) financing activities | 553,625 | (1,595,550) |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (183,931) | 77,183 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (47,749) | 2,598,102 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR | 34,072,944 | 31,474,842 |
| CASH AND CASH EQUIVALENTS, END OF THE YEAR | $ 34,025,195 | $ 34,072,944 |

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets is as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Cash and cash equivalents in balance sheets | $ 8,631,510 | $ 9,986,581 |
| Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents" | 15,448,728 | 15,797,088 |
| Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents" | 9,944,957 | 8,289,275 |
| Cash and cash equivalents in statements of cash flows | $ 34,025,195 | $ 34,072,944 |

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

## 1. GENERAL INFORMATION

Far Eastern International Bank Ltd. (the "Bank") obtained its license on January 11, 1992 and started its business on April 11, 1992. The Bank (a) accepts deposits and extends loans and guarantees; (b) issues letters of credit, handles domestic and foreign remittances, and accepts commercial drafts; (c) invests in securities and acts as an agent for trading government bonds, corporate bonds and bank debentures; and (d) conducts relevant businesses that are authorized by the relevant authorities.

The operations of the Bank's Trust Department include pecuniary trust, securities trust, real estate trust, creditor's right of money or guarantee, movable property trust and ground right trust and related operations. These operations are regulated under the Banking Act and Trust Enterprise Act.

As of December 31, 2019, the Bank's operating units included the Business Department, International Banking Department, Trust Department, Credit Card Department, Offshore Banking Unit (OBU), and 55 domestic branches, as well as an overseas branch in Hong Kong.

The Bank's shares are listed on the Taiwan Stock Exchange. Global depositary receipts (GDR), which represent ownership of ordinary shares of the Bank, have been listed on the Luxembourg Stock Exchange since January 2014.

## 2. APPROVAL OF FINANCIAL REPORTS

The financial statements were approved by the Bank's Board of Directors on March 23, 2020.

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

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

Except as described below, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Bank's accounting policies:

IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease agreements and their treatment in the financial statements of lessor and lessee. It supersedes IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of leases

The Bank reassesses whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing leases are accounted for in accordance with the transition under IFRS 16.

The Bank as lessee

The Bank recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Bank presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. the Bank applies IAS 36 to all right-of-use assets. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

The Bank elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate.

The weighted-average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 0.68%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

| | |
|---|---|
| The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 | $ 875,556 |
| Less: Recognition exemption for short-term leases | (14,780) |
| Undiscounted amounts on January 1, 2019 | $ 860,776 |
| Discounted amount using the incremental borrowing rate on January 1, 2019 | $ 846,497 |

The impact on assets, liabilities and equity of January 1, 2019 is set out below:

| | Carrying Amount as of December 31, 2018 | Adjustments Arising from Initial Application | Adjusted Carrying Amount as of January 1, 2019 |
|---|---|---|---|
| Prepaid lease | $ 3,294 | $ (3,294) | $ - |
| Investment in the equity method | 2,794,977 | 289 | 2,795,266 |
| Right-of-use assets | - | 832,364 | 832,364 |
| Total effect on assets | | $ 829,359 | |
| Lease liabilities | - | $ 846,497 | 846,497 |
| Total effect on liabilities | | $ 846,497 | |
| Retained earning | 11,649,127 | $ (17,138) | 11,631,989 |

b. The IFRSs endorsed by the FSC for application starting from 2020.

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| Amendments to IFRS 3 "Definition of a Business" | January 1, 2020 (Note 1) |
| Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" | January 1, 2020 (Note 2) |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 (Note 3) |

Note 1: The Bank shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Bank shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Bank shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

| New IFRSs | Effective Date Announced by IASB (Note) |
|---|---|
| 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 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2022 |

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Statement of Compliance**

The financial reports have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

**Basis of Preparation**

The financial reports have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The measurement of investment in subsidiaries and investment in associates were classified at equity method when the Bank was compiling the individual financial report. The net income, other comprehensive income, equity of the financial report and the net income, other comprehensive income and equity of the consolidated financial report which were attributed to the parent company.

**Current and Noncurrent Assets and Liabilities**

Accounts included in the balance sheets are not classified as current or noncurrent since the operating characteristics of the Bank, whose operating cycle cannot be reasonably identified. Nevertheless, accounts are properly categorized in accordance with their nature and sequenced by their liquidity. Refer to Note 42 for the maturity analysis of liabilities.

**Foreign Currency**

Foreign-currency assets and liabilities are recorded in their original currencies. Foreign-currency items in net income of domestic operating units are translated into New Taiwan dollars at prevailing exchange rates at the dates of the transactions. For overseas branches (including the OBU), foreign-currency items in net income from transactions settled in currencies other than the entity's functional currency are translated into the entity's functional currency at prevailing exchange rates at the dates of the transactions.

At the balance sheet date, foreign-currency monetary assets and liabilities are translated at prevailing exchange rates, and the exchange differences are recognized as gain or loss.

When foreign-currency assets and liabilities are settled, exchange differences arising from the application of different exchange rates are recognized as gain or loss for the current year.

The financial statements of foreign branches (including OBU) are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - at exchange rates prevailing on the balance sheet date. The beginning balance of current year's earnings of foreign branches and the OBU not yet remitted to the head office - the same as the ending balance of the prior years' earnings; and Income and expenses - at average exchange rates for the period. Exchange differences arising from the translation of the financial statements of foreign branches and OBU are recognized as other comprehensive income-exchange differences on translating foreign operations.

**Investment Accounted for Using Equity Method**

Investments in subsidiaries and associates are accounted for using the equity method of accounting.

Subsidiaries are the entity which were controlled by the Bank.

An associate is an entity over which the Bank have significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

An investment in a subsidiary and associate is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associate. The Bank also recognize the changes in the Bank's share of equity of associates.

**Property and Equipment**

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

Depreciation is recognized to allocation the cost of assets averagely less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**Intangible Assets**

Intangible assets acquired in a business combination are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets with finite useful lives are reported at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment loss.

**Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Bank review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units under a reasonable and consistent basis.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

When the recoverable amount increases in a subsequent period, the reversal of an impairment loss is recognized immediately in profit or loss. The carrying amount of the 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 for the asset or cash-generating unit in prior years.

**Securities Purchased/Sold Under Resale/Repurchase Agreements**

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest expenses and interest revenues are recognized on the accrual basis.

**Financial Instruments**

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

Transaction costs that are directly attributable to the acquisition or issue 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 as expense.

Financial assets

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

a. The Bank owns financial assets which are classified into the following specified categories:

1) Financial assets 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, with any gain or loss arising on dividends, interest and re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 41.

2) Financial assets at amortized cost

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

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

b) 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 are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Any exchange difference is recognized in profit or loss.

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

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

b) Financial assets that have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

A financial asset is credit impaired when significant financial difficulty of the issuer or the borrower; breach of contract; default; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

3) Investments in debt instruments at FVTOCI

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

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

b) 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.

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 revenue 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.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Bank may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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 gain and loss 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, they will be transferred to retained earnings.

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

b. Impairment of financial assets

The Bank recognizes an allowance for loss for expected credit losses on financial assets at amortized cost, investments in debt instruments that are measured at FVTOCI. For such financial assets, the Bank recognizes lifetime expected credit losses (i.e. ECLs) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the allowance for loss for that financial instrument at an amount equal to 12-month ECLs.

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

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

The Bank evaluates possible losses on specific loans on the basis of the borrowers' financial situation, their ability to repay principals and interests, and the values of collaterals in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" (the "Regulations"). The Regulations require that loans should be categorized by collectability and specify the minimum allowance for possible losses and reserve for guarantee obligations using prescribed percentages.

When a loan or receivable is considered uncollectable, it may be written off on the approval of the Bank's Board of Directors or Managing Directors. The subsequent collections of written-off loans are credited against provision for possible losses.

c. Derecognition of financial assets

The Bank derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial 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 cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading. Any gain or loss arising on remeasurement, including interest paid on the financial liability, are recognized in profit or loss.

2) Financial guarantee contracts

The financial guarantee contracts issued by the Bank which are not measured at FVTPL are measured at the higher of the allowance for the expected credit losses or the amortized amount after original recognition. Also, they are according to the "Regulations" issued by the FSC.

b. Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date 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. Derivative financial instruments do not apply hedge accounting are recognized as financial assets or liabilities held for trading. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in derivative host contracts

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract.

**Levies**

A levy imposed by a government is accrued as payables when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time, the liability is recognized progressively.

**Provisions**

Provisions are recognized when the Bank have a present obligation as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

**Revenue Recognition**

Interest revenues from discounts and loans is recorded on the accrual basis. For nonaccrual loans, interest revenues are recognized only when collections on these obligations are made. Under the regulations of the Banking Bureau under the Financial Supervisory Commission, the interest revenues on credits covered by agreements that extend their maturity is recorded as deferred income and recognized upon collection.

Service fee income is recognized as loans are provided or services have been completed.

When the Bank acquires non-performing loans from other financial institutions, revenue related to recovery of non-performing loans is recognized using the cost-recovery method.

**Lease**

2019

The Bank assesses whether or not an agreement is a lease or contains a lease on the date of the agreement.

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

Right-of-use assets are initially measured at cost. 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 depreciated using the straight-line method over the lease terms.

The lease payable is discounted at the lessee's incremental borrowing rate of interest. 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, should remeasure 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.

2018

Operating lease payments are recognized as expenses on a straight-line basis over the lease terms.

**Retirement Benefit**

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

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

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

**Income Tax**

Income tax expense represents the sum of current tax expense and deferred tax expense.

a. Current tax expense

   Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

   An additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

b. Deferred tax expense

Deferred tax expense represents adjustments to deferred tax assets and liabilities.

Deferred tax assets or liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. 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 that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of deferred tax assets is 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 assets to be recovered.

c. Current and deferred tax for the period

Current and deferred tax 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 tax 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 accounting policies, management is required to make essential 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 to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

a. Estimating impairment of financial assets

The estimate of impairment for receivables, discount and loans and investments in debt instruments is based on the assumptions about the probability of default and loss given default. The Bank uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Bank's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 42 where the actual future cash inflows are less than expect, a material impairment loss may arise.

b. Estimating impairment of operation rights

Determining whether operation rights are impaired requires an estimation of the value in use of the cash-generating units to which operation rights have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

c. Fair value of financial instruments

The Bank's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, models were based on quoted market rates adjusted for specific features of the instruments. Other financial instruments were valued using a discounted cash flow analysis based on models supported, where possible, by observable market prices or rates. Note 42 provides detailed information about the key models used in the determination of the fair value of financial instruments. The Bank's management believes that the chosen valuation techniques and models used are appropriate in determining the fair value of financial instruments.

d. Income tax

The use of deferred income tax assets mainly depends on future taxable income and the possible timing and level of taxable temporary differences, along with future income tax strategies.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Cash on hand | $ 3,045,288 | $ 2,904,762 |
| Notes and checks for clearing | 1,560,292 | 2,416,502 |
| Deposits due from other banks | 4,025,930 | 4,665,317 |
| | $ 8,631,510 | $ 9,986,581 |

## 7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Due from other banks | $ 1,910,024 | $ 12,879,815 |
| New Taiwan dollar reserve deposits - Type A | 13,305,346 | 2,733,295 |
| New Taiwan dollar reserve deposits - Type B | 12,154,570 | 11,745,944 |
| Foreign-currency reserve deposits | 122,650 | 125,269 |
| Due from foreign Central Bank | 110,708 | 58,709 |
| | $ 27,603,298 | $ 27,543,032 |

The reserve deposits are required by law and determined at a prescribed percentage of the monthly average balances. The Type B reserve deposits can be withdrawn only when the balances are adjusted monthly. The Type A and foreign-currency reserve deposits can be withdrawn on demand but bear no interest. Due from foreign Central Bank is the clearing settlement account which the Bank's Hong Kong branch opened in Hong Kong Monetary Authority. The account can be withdrawn on demand but bear no interest.

As of December 31, 2019 and 2018, due from the Central Bank and other banks falling in the definition of IAS 7 "cash and cash equivalents" (i.e. short-term, highly liquid investments, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value); amounted to $15,448,728 thousand and $15,797,088 thousand, respectively, and were included in cash and cash equivalents in the statements of cash flows.

## 8. FINANCIAL ASSETS AND LIABILITIES AT FVTPL

Financial assets mandatorily classified as at FVTPL

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Non-derivative financial assets | | |
| Commercial paper | $ 16,843,121 | $ 17,068,878 |
| Government bond | 12,105,443 | 8,324,585 |
| Negotiable certificates of deposit | 1,000,729 | 1,487,146 |
| Stock listed on TWSE and TPEx | 713,681 | 64,115 |
| Beneficiary certificates | 426,828 | - |
| | 31,089,802 | 26,944,724 |
| Derivative financial assets | | |
| Foreign-currency swap contracts | 1,531,416 | 2,292,356 |
| Interest rate swap contracts | 965,175 | 853,399 |
| Currency option contracts | 404,460 | 354,604 |
| Forward exchange contracts | 156,733 | 82,863 |
| Others | 183,578 | 199,892 |
| | 3,241,362 | 3,783,114 |
| Hybrid contract | | |
| Asset swap fixed-income contracts | 13,308,489 | 9,345,266 |
| Credit linked loan contracts | 3,775,289 | 3,829,179 |
| Credit linked bond contracts | 1,360,655 | 2,060,823 |
| Convertible (exchangeable) bonds | 239,844 | 544,395 |
| | 18,684,277 | 15,779,663 |
| Total financial assets mandatorily classified as at FVTPL | $ 53,015,441 | $ 46,507,501 |

Financial liabilities at FVTPL

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Derivative financial liabilities | | |
| Foreign-currency swap contracts | $ 2,321,003 | $ 1,159,611 |
| Interest rate swap contracts | 924,133 | 758,670 |
| Currency option contracts | 386,711 | 355,293 |
| Forward exchange contracts | 143,000 | 225,459 |
| Others | 134,457 | 253,446 |
| Total financial liabilities at FVTPL | $ 3,909,304 | $ 2,752,479 |

Outstanding derivative contract (notional) amounts were as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Foreign-currency swap contracts | $ 307,534,874 | $ 383,201,438 |
| Interest rate swap contracts | 142,257,621 | 134,879,271 |
| Currency option contracts | 129,514,425 | 54,427,257 |
| Seller of credit default swap contracts | 22,717,991 | 26,918,166 |
| Forward exchange contracts | 20,815,787 | 21,234,471 |
| Cross-currency swap contracts | 11,970,370 | 4,428,940 |
| Interest rate option contracts | 3,010,600 | 1,000,000 |
| Bond futures | 632,226 | 225,755 |
| Non-deliverable forward contracts | 362,728 | 61,617 |
| Convertible (exchangeable) bond option contracts | 1,700 | 683,300 |
| Convertible (exchangeable) bond asset swap contracts | - | 317,000 |
| Commodity forward contracts | - | 111,303 |

## 9. FINANCIAL ASSETS AT FVTOCI

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Investments in equity instruments | | |
| Stock listed on TWSE and TPEx | $ 888,270 | $ 930,492 |
| Stock unlisted on TWSE and TPEx | 319,751 | 335,330 |
| | 1,208,021 | 1,265,822 |
| Investments in debt instruments | | |
| Negotiable certificates of deposit from the Central Bank | 63,068,472 | 62,950,846 |
| Government bonds | 36,314,939 | 31,436,956 |
| Bank debentures | 19,892,738 | 20,548,214 |
| Corporate bonds | 7,470,380 | 2,500,626 |
| Mortgage backed securities | 4,354,922 | 1,076,588 |
| | 131,101,451 | 118,513,230 |
| Total financial assets at FVTOCI | $ 132,309,472 | $ 119,779,052 |

The above investments in equity instrument in the form of ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. Therefore, the designated investments are selected to be measured at FVTOCI.

The above information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, refer to Note 11. For the information of mortgage backed securities, refer to Note 37.

Part of the bank debentures and government bonds have been issued under repurchase agreements. The book value were as follows. Refer to Note 21 for related information.

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Bank debentures | $ 10,281,012 | $ 12,745,196 |
| Government bonds | $ - | $ 2,702,559 |

The Bank recognized dividends income from equity instruments at FVTOCI for the years ended December 31, 2019 and 2018 as below:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Dividends revenue recognized in profit or loss | | |
| On equity held at year end | $ 68,859 | $ 68,364 |
| On equity disposed of in current year | 42,236 | 41,506 |
| | $ 111,095 | $ 109,870 |

Because of the consideration of asset allocation, management and adjust the portfolio, the information about disposal of equity instruments at FVTOCI for the years ended December 31, 2019 and 2018 is as below:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Fair value at the date of disposal | $ 1,002,775 | $ 986,402 |
| Accumulated loss transferred to retained earnings due to disposal | $ (70,104) | $ (61,475) |

## 10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Bank debentures | $ 1,942,016 | $ 1,974,153 |
| Corporate bonds | 602,120 | 614,660 |
| | 2,544,136 | 2,588,813 |
| Less: Allowance for loss | 256 | 159 |
| | $ 2,543,880 | $ 2,588,654 |

For the information on financial assets' credit risk management and impairment at amortized cost, see Note 11.

## 11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

The policy which the Bank implements is to invest only in debt instruments with credit ratings above (and including) investment grade and with impairment low in credit risk. The Bank continued to track external rating information to monitor changes in credit risk of the investments in debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the original recognition.

The Bank considers the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the debt instrument investments.

The investments in debt instruments are classified as financial assets at FVTOCI and financial assets at amortized cost. The information of changes in carrying amount were as follows:

**December 31, 2019**

| | At FVTOCI | At Amortized Cost | Total |
|---|---|---|---|
| Total carrying amount | $ 130,611,899 | $ 2,544,136 | $ 133,156,035 |
| Less: Allowance for loss | 8,905 | 256 | 9,161 |
| Amortized cost | 130,602,994 | $ 2,543,880 | 133,146,874 |
| Fair value adjustment | 498,457 | | 498,457 |
| | $ 131,101,451 | | $ 133,645,331 |

**December 31, 2018**

| | At FVTOCI | At Amortized Cost | Total |
|---|---|---|---|
| Total carrying amount | $ 118,563,978 | $ 2,588,813 | $ 121,152,791 |
| Less: Allowance for loss | 4,318 | 159 | 4,477 |
| Amortized cost | 118,559,660 | $ 2,588,654 | 121,148,314 |
| Fair value adjustment | (46,430) | | (46,430) |
| | $ 118,513,230 | | $ 121,101,884 |

The investments in debt instruments indicates normal credit level under assessment. The information of changes in allowance for loss which is 12-month expected credit loss were as follows:

**For the Year Ended December 31, 2019**

| | At FVTOCI | At Amortized Cost | Total |
|---|---|---|---|
| Beginning on January 1, 2019 | $ 4,318 | $ 159 | $ 4,477 |
| Purchase of new debt instruments | 4,304 | - | 4,304 |
| Derecognition | (1,087) | - | (1,087) |
| Exchange rate and other changes | 1,370 | 97 | 1,467 |
| Balance on December 31, 2019 | $ 8,905 | $ 256 | $ 9,161 |

**For the Year Ended December 31, 2018**

| | At FVTOCI | At Amortized Cost | Total |
|---|---|---|---|
| Beginning on January 1, 2018 | $ 5,247 | $ 270 | $ 5,517 |
| Purchase of new debt instruments | 2,834 | 107 | 2,941 |
| Derecognition | (3,681) | (135) | (3,816) |
| Exchange rate and other changes | (82) | (83) | (165) |
| Balance on December 31, 2018 | $ 4,318 | $ 159 | $ 4,477 |

## 12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Government bonds | $ 6,663,533 | $ 5,641,393 |
| Commercial paper | 1,982,081 | 1,498,448 |
| Negotiable certificates of deposit | 1,300,028 | 1,150,496 |
| | 9,945,642 | 8,290,337 |
| Less: Allowance for loss | 685 | 1,062 |
| | $ 9,944,957 | $ 8,289,275 |
| Resale date | 2020.01.02-2020.02.13 | 2019.01.02-2019.01.24 |
| Resale price | $ 9,949,206 | $ 8,292,920 |

The total carrying amounts shown above have been included as cash and cash equivalents in statements of individual cash flows.

## 13. RECEIVABLES, NET

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Credit card | $ 14,711,082 | $ 14,329,475 |
| Factoring | 3,579,407 | 2,769,097 |
| Interest | 1,048,981 | 1,064,989 |
| Spot exchange transactions | 580,138 | 645,906 |
| Acceptances | 374,546 | 439,359 |
| Proceeds from disposal of securities | 209,929 | 345,671 |
| Convertible bond redemption | - | 187,414 |
| Others | 381,181 | 388,189 |
| | 20,885,264 | 20,170,100 |
| Less: Allowance for possible losses | 505,451 | 509,811 |
| | $ 20,379,813 | $ 19,660,289 |

The changes in the total carrying amount of receivables and other financial assets were as follows:

| | For the Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | Stage 1 (Note 1) | Stage 2 (Note 2) | Stage 3 (Note 3) | Total |
| Beginning on January 1, 2019 | $ 16,860,296 | $ 71,942 | $ 1,337,997 | $ 18,270,235 |
| Changes due to financial assets recognized at the beginning of the period: | | | | |
| Transfer to Stage 2 | (48,869) | 56,184 | (154) | 7,161 |
| Transfer to Stage 3 | (139,202) | (22,192) | 173,616 | 12,222 |
| Transfer to Stage 1 | 8,928 | (10,795) | (454) | (2,321) |
| Financial assets derecognized in the current period | (6,134,907) | (11,626) | (252,429) | (6,398,962) |
| Purchased or original financial assets | 7,587,666 | 12,202 | 61,208 | 7,661,076 |
| Write-offs | (74,726) | (25,531) | (52,116) | (152,373) |
| Exchange rate and other changes | (3,413) | (732) | (2,453) | (6,598) |
| Balance on December 31, 2019 | $ 18,055,773 | $ 69,452 | $ 1,265,215 | $ 19,390,440 |

| | For the Year Ended December 31, 2018 | | | |
|---|---|---|---|---|
| | Stage 1 (Note 1) | Stage 2 (Note 2) | Stage 3 (Note 3) | Total |
| Beginning on January 1, 2018 | $ 18,760,901 | $ 75,443 | $ 2,118,201 | $ 20,954,545 |
| Changes due to financial assets recognized at the beginning of the period: | | | | |
| Transfer to Stage 2 | (56,753) | 59,977 | (111) | 3,113 |
| Transfer to Stage 3 | (117,060) | (20,729) | 152,911 | 15,122 |
| Transfer to Stage 1 | 8,504 | (11,871) | (269) | (3,636) |
| Financial assets derecognized in the current period | (8,354,188) | (13,015) | (345,091) | (8,712,294) |
| Purchased or original financial assets | 6,685,390 | 10,727 | 55,100 | 6,751,217 |
| Write-offs | (83,437) | (27,894) | (657,591) | (768,922) |
| Exchange rate and other changes | 16,939 | (696) | 14,847 | 31,090 |
| Balance on December 31, 2018 | $ 16,860,296 | $ 71,942 | $ 1,337,997 | $ 18,270,235 |

Note 1: 12-Month ECLs.
Note 2: Lifetime ECLs.
Note 3: Lifetime ECLs (Credit Impairment on Financial Assets).

The changes in the allowance of receivables and other financial assets were as follows:

| | For the Year Ended December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment Under the Regulations | Total |
| January 1, 2019 | $ 18,544 | $ 6,148 | $ 362,351 | $ 387,043 | $ 122,803 | $ 509,846 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (15) | 5,727 | (21) | 5,691 | - | 5,691 |
| Transfer to Stage 3 | (44) | (1,414) | 50,183 | 48,725 | - | 48,725 |
| Transfer to Stage 1 | 4 | (1,261) | (53) | (1,310) | - | (1,310) |
| Financial assets derecognized in the current period | (3,080) | (1,115) | (38,458) | (42,653) | - | (42,653) |
| Purchased or original financial assets | 11,012 | 1,535 | 17,948 | 30,495 | - | 30,495 |
| The difference of impairment under the Regulations | - | - | - | - | (28,382) | (28,382) |
| Write-offs | (74,726) | (25,531) | (52,116) | (152,373) | - | (152,373) |
| Exchange rate and other changes | 74,718 | 23,254 | 37,847 | 135,819 | - | 135,819 |
| December 31, 2019 | $ 26,413 | $ 7,343 | $ 377,681 | $ 411,437 | $ 94,421 | $ 505,858 |

| | For the Year Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment Under the Regulations | Total |
| January 1, 2018 | $ 39,183 | $ 13,104 | $ 946,378 | $ 998,665 | $ 145,266 | $1,143,931 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (69) | 5,136 | (25) | 5,042 | - | 5,042 |
| Transfer to Stage 3 | (144) | (3,792) | 40,046 | 36,110 | - | 36,110 |
| Transfer to Stage 1 | 3 | (1,922) | (53) | (1,972) | - | (1,972) |
| Financial assets derecognized in the current period | (22,770) | (1,916) | (51,209) | (75,895) | - | (75,895) |
| Purchased or original financial assets | 2,559 | 952 | 15,296 | 18,807 | - | 18,807 |
| The difference of impairment under the Regulations | - | - | - | - | (22,463) | (22,463) |
| Write-offs | (83,437) | (27,894) | (657,591) | (768,922) | - | (768,922) |
| Exchange rate and other changes | 83,219 | 22,480 | 69,509 | 175,208 | - | 175,208 |
| December 31, 2018 | $ 18,544 | $ 6,148 | $ 362,351 | $ 387,043 | $ 122,803 | $ 509,846 |

## 14. DISCOUNTS AND LOANS, NET

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Negotiations, discounts and overdraft | $ 229,205 | $ 189,594 |
| Short-term loans | 73,298,008 | 73,855,519 |
| Medium-term loans | 140,194,318 | 140,748,897 |
| Long-term loans | 175,722,490 | 169,517,735 |
| Overdue receivable | 756,407 | 611,272 |
| | 390,200,428 | 384,923,017 |
| Less: Allowance for possible losses | 5,575,611 | 5,234,899 |
| | $ 384,624,817 | $ 379,688,118 |

The details of the provision for possible losses were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Provision for possible losses - discounts and loans | $ 706,395 | $ 833,097 |
| Provision for possible losses - receivables and other financial assets | 151,602 | 113,745 |
| Provision for possible losses - reserve for commitment and guarantee obligations | 68,487 | 18,561 |
| Amounts recovered - discounts and loans | (224,862) | (229,379) |
| Amounts recovered - receivables and other financial assets | (184,241) | (229,502) |
| | $ 517,381 | $ 506,522 |

The changes in the total carrying amount of discounts and loan were as follows:

| | For the Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | Stage 1 (Note 1) | Stage 2 (Note 2) | Stage 3 (Note 3) | Total |
| Beginning on January 1, 2019 | $ 380,999,840 | $ 496,749 | $ 3,426,428 | $ 384,923,017 |
| Changes due to financial assets recognized at the beginning of the period: | | | | |
| Transfer to Stage 2 | (990,256) | 900,768 | (4,805) | (94,293) |
| Transfer to Stage 3 | (1,374,686) | (80,848) | 2,968,331 | 1,512,797 |
| Transfer to Stage 1 | 142,323 | (154,104) | (7,929) | (19,710) |
| Financial assets derecognized in the current period | (100,060,743) | (145,469) | (1,000,100) | (101,206,312) |
| Purchased or original financial assets | 105,483,020 | 81,728 | 339,468 | 105,904,216 |
| Write-offs | (78,961) | (36,783) | (262,552) | (378,296) |
| Exchange rate and other changes | (441,429) | 731 | (293) | (440,991) |
| Balance on December 31, 2019 | $ 383,679,108 | $ 1,062,772 | $ 5,458,548 | $ 390,200,428 |

| | For the Year Ended December 31, 2018 | | | |
|---|---|---|---|---|
| | Stage 1 (Note 1) | Stage 2 (Note 2) | Stage 3 (Note 3) | Total |
| Beginning on January 1, 2018 | $ 347,782,666 | $ 1,423,658 | $ 3,540,559 | $ 352,746,883 |
| Changes due to financial assets recognized at the beginning of the period: | | | | |
| Transfer to Stage 2 | (392,867) | 363,684 | (58) | (29,241) |
| Transfer to Stage 3 | (604,008) | (370,042) | 821,752 | (152,298) |
| Transfer to Stage 1 | 97,281 | (113,824) | (1,292) | (17,835) |
| Financial assets derecognized in the current period | (86,740,476) | (815,201) | (815,269) | (88,370,946) |
| Purchased or original financial assets | 120,569,098 | 48,464 | 273,091 | 120,890,653 |
| Write-offs | (96,709) | (40,686) | (396,228) | (533,623) |
| Exchange rate and other changes | 384,855 | 696 | 3,873 | 389,424 |
| Balance on December 31, 2018 | $ 380,999,840 | $ 496,749 | $ 3,426,428 | $ 384,923,017 |

Note 1: 12-Month ECLs.
Note 2: Lifetime ECLs.
Note 3: Lifetime ECLs (Credit Impairment on Financial Assets).

The changes in the allowance of discounts and loan were as follows:

| | For the Year Ended December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment Under the Regulations | Total |
| January 1, 2019 | $ 597,178 | $ 86,709 | $ 908,251 | $ 1,592,138 | $ 3,642,761 | $ 5,234,899 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (2,564) | 64,912 | (211) | 62,137 | - | 62,137 |
| Transfer to Stage 3 | (4,282) | (5,425) | 243,036 | 233,329 | - | 233,329 |
| Transfer to Stage 1 | 145 | (20,376) | (2,559) | (22,790) | - | (22,790) |
| Financial assets derecognized in the current period | (175,631) | (37,332) | (265,165) | (478,128) | - | (478,128) |
| Purchased or original financial assets | 266,348 | 33,450 | 126,285 | 426,083 | - | 426,083 |
| The difference of impairment under the Regulations | - | - | - | - | 291,286 | 291,286 |
| Write-offs | (78,961) | (36,783) | (262,552) | (378,296) | - | (378,296) |
| Exchange rate and other changes | 88,353 | 16,756 | 101,982 | 207,091 | - | 207,091 |
| December 31, 2019 | $ 690,586 | $ 101,911 | $ 849,067 | $ 1,641,564 | $ 3,934,047 | $ 5,575,611 |

| | For the Year Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment Under the Regulations | Total |
| January 1, 2018 | $ 617,108 | $ 67,265 | $ 993,274 | $ 1,677,647 | $ 3,174,273 | $ 4,851,920 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (1,341) | 55,586 | (49) | 54,196 | - | 54,196 |
| Transfer to Stage 3 | (1,090) | (2,964) | 179,929 | 175,875 | - | 175,875 |
| Transfer to Stage 1 | 100 | (12,961) | (678) | (13,539) | - | (13,539) |
| Financial assets derecognized in the current period | (252,878) | (30,940) | (82,132) | (365,950) | - | (365,950) |
| Purchased or original financial assets | 235,269 | 27,805 | 85,284 | 348,358 | - | 348,358 |
| The difference of impairment under the Regulations | - | - | - | - | 468,488 | 468,488 |
| Write-offs | (96,709) | (40,686) | (396,228) | (533,623) | - | (533,623) |
| Exchange rate and other changes | 96,719 | 23,604 | 128,851 | 249,174 | - | 249,174 |
| December 31, 2018 | $ 597,178 | $ 86,709 | $ 908,251 | $ 1,592,138 | $ 3,642,761 | $ 5,234,899 |

## 15. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Investment in subsidiaries | $ 2,129,458 | $ 1,018,627 |
| Investments in associates | 1,812,522 | 1,776,350 |
| | $ 3,941,980 | $ 2,794,977 |

a. Investment in subsidiaries

| | December 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Amount | % of Ownership | Amount | % of Ownership |
| Far Eastern Asset Management Co., Ltd. ("FEAMC") | $ 1,687,890 | 100.00 | $ 683,922 | 100.00 |
| Far Eastern International Securities Co., Ltd. ("FEIS") | 441,568 | 100.00 | 334,705 | 100.00 |
| | $ 2,129,458 | | $ 1,018,627 | |

In September 2018, FEAMC resolved to reduce its capital to cover accumulated deficit of $516,000 thousand, withdrawn 51,600 thousand outstanding shares. In January 2019, FEAMC has increased cash capital by $1,000,000 thousand. The Bank purchased a total of 100,000 thousand ordinary shares with a par value of $10.

b. Investments in associates

| | December 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Amount | % of Ownership | Amount | % of Ownership |
| Dah Chung Bills Finance Corp. | $ 1,699,389 | 22.06 | $ 1,667,505 | 22.06 |
| Deutsche Far Eastern Asset Management Co., Ltd. | 113,133 | 40.00 | 108,845 | 40.00 |
| | $ 1,812,522 | | $ 1,776,350 | |

The above associates are individually immaterial to the Bank; the shares of the Bank in these associates' financial performance was summarized as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Net income from continuing operation | $ 102,585 | $ 92,467 |
| Other comprehensive income | 5,161 | (22,620) |
| Total comprehensive income | $ 107,746 | $ 69,847 |

## 16. OTHER FINANCIAL ASSETS, NET

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Nonaccrual loans other than discounts and loans | $ 645 | $ 70 |
| Less: Allowance for possible losses (Note 13) | 407 | 35 |
| | 238 | 35 |
| Refundable deposits | 3,439,897 | 2,865,526 |
| Less: Allowance for loss | 1,578 | 446 |
| | 3,438,319 | 2,865,080 |
| Deposits with original maturity more than 3 months | 864,400 | 894,600 |
| Interbank clearing account | 1,000,922 | 700,805 |
| | $ 5,303,879 | $ 4,460,520 |

The assets pledged as collaterals are disclosed in Note 37.

## 17. PROPERTY AND EQUIPMENT, NET

| | For the Year Ended December 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land | Buildings and Improvements | Computer Equipment | Transportation Equipment | Miscellaneous Equipment | Equipment Prepayment | Total |
| Cost | | | | | | | |
| Beginning balance | $ 1,447,433 | $ 1,130,563 | $ 1,838,050 | $ 2,403 | $ 1,474,167 | $ 48,745 | $ 5,941,361 |
| Additions | - | 30,438 | 205,275 | - | 89,755 | 75,943 | 401,411 |
| Disposals | - | (24,159) | (100,805) | (989) | (38,630) | - | (164,583) |
| Others | - | 20,351 | 25,328 | - | (16,751) | (25,966) | 2,962 |
| Ending balance | 1,447,433 | 1,157,193 | 1,967,848 | 1,414 | 1,508,541 | 98,722 | 6,181,151 |
| Accumulated depreciation | | | | | | | |
| Beginning balance | - | 587,243 | 1,333,652 | 2,283 | 1,292,819 | - | 3,215,997 |
| Depreciation | - | 24,046 | 148,376 | 50 | 59,282 | - | 231,754 |
| Disposals | - | (24,159) | (100,803) | (989) | (38,317) | - | (164,268) |
| Others | - | 4,508 | (617) | - | (940) | - | 2,951 |
| Ending balance | - | 591,638 | 1,380,608 | 1,344 | 1,312,844 | - | 3,286,434 |
| Net ending balance | $ 1,447,433 | $ 565,555 | $ 587,240 | $ 70 | $ 195,697 | $ 98,722 | $ 2,894,717 |

| | For the Year Ended December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land | Buildings and Improvements | Computer Equipment | Transportation Equipment | Miscellaneous Equipment | Equipment Prepayment | Total |
| Cost | | | | | | | |
| Beginning balance | $ 1,581,625 | $ 1,247,852 | $ 1,714,492 | $ 2,542 | $ 1,454,224 | $ 16,565 | $ 6,017,300 |
| Additions | - | 4,605 | 161,038 | 79 | 72,567 | 39,940 | 278,229 |
| Disposals | (134,192) | (118,134) | (27,916) | (218) | (57,103) | - | (337,563) |
| Others | - | (3,760) | (9,564) | - | 4,479 | (7,760) | (16,605) |
| Ending balance | 1,447,433 | 1,130,563 | 1,838,050 | 2,403 | 1,474,167 | 48,745 | 5,941,361 |
| Accumulated depreciation | | | | | | | |
| Beginning balance | - | 624,555 | 1,225,695 | 2,420 | 1,282,598 | - | 3,135,268 |
| Depreciation | - | 22,438 | 134,448 | 81 | 63,382 | - | 220,349 |
| Disposals | - | (56,166) | (27,914) | (218) | (56,111) | - | (140,409) |
| Others | - | (3,584) | 1,423 | - | 2,950 | - | 789 |
| Ending balance | - | 587,243 | 1,333,652 | 2,283 | 1,292,819 | - | 3,215,997 |
| Net ending balance | $ 1,447,433 | $ 543,320 | $ 504,398 | $ 120 | $ 181,348 | $ 48,745 | $ 2,725,364 |

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

| | |
|---|---|
| Buildings and improvements | 5 to 55 years |
| Computer equipment | 3 to 7 years |
| Transportation equipment | 3 to 7 years |
| Miscellaneous equipment | 3 to 20 years |

## 18. LEASE ARRANGEMENTS

The Bank leases buildings mainly for the use of the Bank's branches and offices. Right-of-use assets, lease liabilities and recognition of depreciation expense are as follows:

a. Net carrying amount of right-of-use assets was $971,147 thousand at December 31, 2019.

   Addition to right-of-use assets was $549,542 thousand and depreciation was $399,444 thousand for the 2019.

b. Carrying amount of lease liabilities was $987,337 thousand at December 31, 2019 and interest expenses was $6,428 thousand. The range of discount rate was 0.70%-0.83%. The least terms from March 2010 to June 2029.

c. Other lease information

   2019

| | For the Year Ended December 31, 2019 |
|---|---|
| Short-term lease expenses | $ 23,252 |
| Leases of low value assets | $ 5,054 |
| Total cash outflow for leases | $ 431,526 |

   2018

   Future minimum lease payments under non-cancellable operating leases are as follows:

| | December 31, 2018 |
|---|---|
| Not later than 1 year | $ 348,320 |
| Later than 1 year and not later than 5 years | 477,638 |
| Later than 5 years | 49,598 |
| | $ 875,556 |

## 19. INTANGIBLE ASSETS, NET

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Operation rights | $ 1,538,210 | $ 1,538,210 |
| Fair value of core deposits | 428,887 | 428,887 |
| | 1,967,097 | 1,967,097 |
| Less: Accumulated amortization | 292,978 | 267,495 |
| | $ 1,674,119 | $ 1,699,602 |

In April 2010, the Bank acquired the assets and liabilities of Chinfon Bank, classified as Package B of Chinfon Bank, through a bidding process. The acquired management and operation rights of Chinfon Bank's branches have indefinite useful life, while the fair value of core deposits is amortized over 4 to 15 years.

The Bank assessed the operation rights of branches have indefinite useful life, and the operation rights are expected to generate net cash flows continuously; therefore, the operation rights are not amortized annually.

The Bank's operation rights are tested for impairment in 2019 and 2018, the recoverable amount is determined based on the net fair value. To reflect risks specific to the operation right, the net fair value was then calculated using the discounted cash flows based on the Bank's financial forecast, and no impairment after tasted. For the years ended December 31, 2019 and 2018, the Bank did not recognize any impairment loss on its operation rights.

## 20. DUE TO THE CENTRAL BANK AND OTHER BANKS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Call loans to banks | $ 11,126,410 | $ 15,665,915 |
| Due to banks | 10,720 | 60,808 |
| | $ 11,137,130 | $ 15,726,723 |

## 21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Bank debentures (Note 9) | $ 9,675,529 | $ 12,015,591 |
| Government bonds (Note 9) | - | 2,650,203 |
| | $ 9,675,529 | $ 14,665,794 |
| Repurchase date | 2020.01.06-2020.02.20 | 2019.01.07-2019.01.29 |
| Repurchase price | $ 9,710,021 | $ 14,704,830 |

## 22. PAYABLES

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Accrued expenses | $ 1,621,143 | $ 1,485,636 |
| Notes and checks for clearing | 1,560,292 | 2,416,502 |
| Accrued interest | 1,008,643 | 1,133,327 |
| Accounts payable factoring | 822,352 | 372,420 |
| Liabilities on bank acceptances | 374,546 | 439,359 |
| Securities settlement payables | 363,319 | 721,949 |
| Tax payable | 103,255 | 100,893 |
| Others | 710,650 | 517,644 |
| | $ 6,564,200 | $ 7,187,730 |

## 23. DEPOSITS AND REMITTANCES

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Checking deposits | $ 3,246,814 | $ 4,697,065 |
| Demand deposits | 73,561,882 | 67,909,690 |
| Demand savings | 76,750,477 | 68,974,857 |
| Time savings | 75,870,192 | 77,180,132 |
| Negotiable certificates of deposit | 1,895,500 | 6,040,500 |
| Time deposits | 306,370,348 | 283,795,017 |
| Remittances | 56,965 | 50,628 |
| | $ 537,752,178 | $ 508,647,889 |

## 24. BANK DEBENTURES

### Domestic Bank Debentures

| Item | Issuance Period | Note | December 31 2019 | December 31 2018 |
|---|---|---|---|---|
| Subordinated bank debentures - seven-year maturity; first issue in 2012 | 2012.06.27-2019.06.27 | Interest payable on June 27 each year; fixed interest rate at 1.75% | $ - | $ 3,000,000 |
| Subordinated bank debentures - seven-year maturity; first issue in 2013 | 2013.11.06-2020.11.06 | Interest payable on November 6 each year fixed interest rate at 2.10% | 4,000,000 | 4,000,000 |
| Subordinated bank debentures - seven-year maturity; first issue in 2014 | 2014.12.23-2021.12.23 | Interest payable on December 23 each year fixed interest rate at 2.05% | 1,100,000 | 1,100,000 |
| Subordinated bank debentures - seven-year maturity; first issue in 2015 | 2015.09.30-2022.09.30 | Interest payable on September 30 each year fixed interest rate at 1.95% | 3,000,000 | 3,000,000 |
| Subordinated bank debentures - seven-year maturity; first issue in 2016 | 2016.09.27-2023.09.27 | Interest payable on September 27 each year fixed interest rate at 1.55% | 4,000,000 | 4,000,000 |
| Subordinated bank debentures - perpetual; first issue in 2018 | 2018.09.18- | Interest payable on September 18 with fixed interest rate at 3.2% per annum | 2,900,000 | 2,900,000 |

(Continued)

| Item | Issuance Period | Note | December 31 2019 | December 31 2018 |
|---|---|---|---|---|
| General bank debentures - five-year maturity; first issue in 2019 | 2019.02.21-2024.02.21 | Interest payable on February 21 each year fixed interest rate at 0.95% | $ 2,500,000 | $ - |
| Subordinated bank debentures - seven-year maturity; second issue in 2019 | 2019.07.30-2026.07.30 | Interest payable on July 30 each year fixed interest rate at 1.15% | 2,000,000 | - |
| Subordinated bank debentures - ten-year maturity; second issue in 2019 | 2019.07.30-2029.07.30 | Interest payable on July 30 each year fixed interest rate at 1.25% | 2,000,000 | - |
| Subordinated bank debentures - five-year maturity; third issue in 2019 | 2019.09.26-2024.09.26 | Interest payable on September 26 each year fixed interest rate at 0.75% | 3,500,000 | - |
| Subordinated bank debentures - seven-year maturity; 1-1 issue in 2005; acquired from Chinfon Bank | Matured on 2012.06.28 | - | 1,660 | 1,660 |
| Subordinated bank debentures - seven-year maturity; 1-1 issue in 2002; acquired from Chinfon Bank | Matured on 2009.06.28 | - | 240 | 240 |
| Total bank debentures | | | $ 25,001,900 | $ 18,001,900 |

(Concluded)

The Bank issued the first issuance of perpetual non-cumulative subordinated bank debentures in 2018 in the amount of $2,900,000 thousand in September 18, 2018 with an interest rate of 3.20% and the interest is paid once a year under the interest payment condition. After of five years of issuance, the Bank has the right to redeem in advance under the regulation of issuance and the permission by authorities.

## 25. PROVISIONS

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Reserve for employee benefits liability - defined benefit plans (Note 26) | $ 906,339 | $ 933,914 |
| Reserve for obligations guarantee | 277,009 | 212,903 |
| Reserve for financing commitment | 51,856 | 47,957 |
| | $ 1,235,204 | $ 1,194,774 |

The changes in provision for losses on guarantees and financing commitments are as follows:

| | For the Year Ended December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment Under the Regulations | Total |
| January 1, 2019 | $ 33,337 | $ 12,368 | $ 2,252 | $ 47,957 | $ 212,903 | $ 260,860 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (4) | 8,230 | (13) | 8,213 | - | 8,213 |
| Transfer to Stage 3 | - | (13) | 562 | 549 | - | 549 |
| Transfer to Stage 1 | 8 | (8,400) | (222) | (8,614) | - | (8,614) |
| Financial assets derecognized in the current period | (4,318) | (1,418) | (479) | (6,215) | - | (6,215) |
| Purchased or original financial assets | 10,699 | 1,080 | 596 | 12,375 | - | 12,375 |
| The difference of impairment under the Regulations | - | - | - | - | 64,106 | 64,106 |
| Exchange rate and other changes | (1,742) | (143) | (524) | (2,409) | - | (2,409) |
| December 31, 2019 | $ 37,980 | $ 11,704 | $ 2,172 | $ 51,856 | $ 277,009 | $ 328,865 |

| | For the Year Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | 12-Month Expected Credit Loss (Stage 1) | Lifetime ECLs (Stage 2) | Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3) | Impairment Under the Guidelines of IFRS 9 | The Difference of Impairment Under the Regulations | Total |
| January 1, 2018 | $ 40,591 | $ 13,125 | $ 1,853 | $ 55,569 | $ 186,369 | $ 241,938 |
| Changes due to financial assets recognized at the beginning of the period: | | | | | | |
| Transfer to Stage 2 | (25) | 8,694 | (52) | 8,617 | - | 8,617 |
| Transfer to Stage 3 | (2) | (36) | 665 | 627 | - | 627 |
| Transfer to Stage 1 | 6 | (9,763) | (599) | (10,356) | - | (10,356) |
| Financial assets derecognized in the current period | (4,435) | (2,201) | (696) | (7,332) | - | (7,332) |
| Purchased or original financial assets | 9,816 | 1,277 | 117 | 11,210 | - | 11,210 |
| The difference of impairment under the Regulations | - | - | - | - | 26,534 | 26,534 |
| Exchange rate and other changes | (12,614) | 1,272 | 964 | (10,378) | - | (10,378) |
| December 31, 2018 | $ 33,337 | $ 12,368 | $ 2,252 | $ 47,957 | $ 212,903 | $ 260,860 |

## 26. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. For employees subjected to LPA, the Bank makes contributions to their individual pension accounts in the Department of Labor at 6% of their monthly salaries and wages.

b. Defined benefit plans

The Bank adopted the defined benefit plan under the Labor Standards Law, under which 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 2% 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 pension fund balance. If the balance 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 before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds (the "Bureau") under the Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

The amounts of employee benefits included in the balance sheets were as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Present value of defined benefit obligation | $ 1,281,482 | $ 1,276,052 |
| Fair value of plan assets | (375,143) | (342,138) |
| Reserve for employee benefits liability | $ 906,339 | $ 933,914 |

Movements in defined benefit plan were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Employee Benefit |
|---|---|---|---|
| Balance at January 1, 2019 | $ 1,276,052 | $ (342,138) | $ 933,914 |
| Service cost | | | |
| Current service cost | 9,296 | - | 9,296 |
| Net interest expense (revenue) | 15,608 | (4,231) | 11,377 |
| Recognized in profit or loss | 24,904 | (4,231) | 20,673 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (11,051) | (11,051) |
| Actuarial loss - experience adjustments | 11,137 | - | 11,137 |
| Actuarial loss - changes in financial assumptions | 30,409 | - | 30,409 |
| Recognized in other comprehensive income | 41,546 | (11,051) | 30,495 |
| Contributions from the employer | - | (17,723) | (17,723) |
| Contributions from provisions | (61,020) | - | (61,020) |
| Balance at December 31, 2019 | $ 1,281,482 | $ (375,143) | $ 906,339 |
| Balance at January 1, 2018 | $ 1,259,285 | $ (318,538) | $ 940,747 |
| Service cost | | | |
| Current service cost | 9,295 | - | 9,295 |
| Net interest expense (revenue) | 21,406 | (5,609) | 15,797 |
| Recognized in profit or loss | 30,701 | (5,609) | 25,092 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (7,266) | (7,266) |
| Actuarial benefit - experience adjustments | (662) | - | (662) |
| Actuarial loss - changes in financial assumptions | 62,571 | - | 62,571 |
| Actuarial benefit - changes in demographic assumptions | (7,986) | - | (7,986) |
| Recognized in other comprehensive income | 53,923 | (7,266) | 46,657 |
| Contributions from the employer | - | (18,715) | (18,715) |
| Contributions from plan assets | (7,990) | 7,990 | - |
| Contributions from provisions | (59,867) | - | (59,867) |
| Balance at December 31, 2018 | $ 1,276,052 | $ (342,138) | $ 933,914 |

The calculation of the present value of the defined benefit obligation was carried out by qualified actuaries. The principal assumptions used in the actuarial valuations were as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Discount rates | 1.00% | 1.25% |
| Expected rates of salary increase | 3.00% | 3.00% |

Had there been a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remained constant, the present value of the defined benefit obligation would have increased (decreased) as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Discount rates | | |
| 0.50% increase | $ (59,769) | $ (62,571) |
| 0.50% decrease | $ 64,148 | $ 67,350 |
| Expected rates of salary increase | | |
| 0.50% increase | $ 62,587 | $ 65,876 |
| 0.50% decrease | $ (58,960) | $ (61,872) |

The sensitivity analysis presented above might not have been representative of the actual change in the present value of the defined benefit obligation because it was unlikely that the change in assumptions occurred in isolation of one another, i.e., some of the assumptions might have been correlated.

The expected contribution to the plan for the next year is $18,466 thousand, and the average duration of the defined benefit obligation is 9.7 years.

The Bank is exposed to the following risks on its defined benefit plan managed by the Bureau:

1) Risk on investment: The investment income of benefit plan assets affects the plan fair value and contribution status. That is, a higher investment income increases the fair value of plan assets and decreases net defined benefits liabilities (or increases net assets) and thus improves contribution status. In contrast, a lower investment income or investment loss is unfavorable to the contribution status of benefit the plan.

2) Risk on interest fluctuations: The discount rate used in calculating the present value of defined benefit obligations is determined by the mainly pertains to the yields of the ROC government. A decrease in discount rate will increase the present value of defined benefit obligations.

3) Risk on salary fluctuations: As the defined benefit obligation was determined by the salaries of plan members before their retirement, the expected increase in salary should then be considered in the calculation. Thus, an increase in the expected rate for salary increase will result in a rise in the present values of defined benefit obligations.

## 27. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Authorized shares (in thousands) | 4,500,000 | 4,500,000 |
| Authorized capital | $ 45,000,000 | $ 45,000,000 |
| Issued and paid shares (in thousands) | 3,355,819 | 3,269,186 |
| Issued capital | $ 33,558,193 | $ 32,691,859 |

Issued ordinary shares with par value of $10 are entitled to the right to vote and to receive dividends.

At the shareholders' meeting held on June 19, 2019, the Bank resolved to increase its capital by using its undistributed earnings of $866,334 thousand. As a result, the Bank issued 86,633 thousand ordinary shares at a par value of NT$10. After the issuance, the share capital of the Bank amounted to $33,558,193 thousand.

At the shareholders' meeting held on June 20, 2018, the Bank resolved to increase its capital by declaring a stock dividend of $862,573 thousand. As a result, the Bank issued additional 86,257 thousand ordinary shares at a par value of NT$10. After the issuance, the share capital of the Bank amounted to $32,691,859 thousand.

Global Depository Receipts

As of December 31, 2019, the outstanding GDRs were 555 thousand units, equivalent to 11,092 thousand ordinary shares.

b. Capital surplus

The capital surplus arising from shares issued in excess of par and treasury stock transactions may be used to offset a deficit, or, if the Bank has no deficit, distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year). However, capital surplus arising from investment accounted for using equity method may not be used for any purpose.

c. Retained earnings and dividend policy

The appropriations of earnings were approved in the shareholders' meetings held on June 20, 2018. In case of net income after settlement of accounts for each fiscal year, the Bank shall recover all the losses incurred in the previous years, if any, before setting aside a legal reserve of thirty percent (30%) of the net profit and appropriating, according to law and regulations, a special reserve shall be retained, and shall first be distributed to the dividends of Preferred Stock. The remaining amount together with the accumulated retained profits of the last year and the reversals of special reserves are available for distribution as dividends for Common Stock. The dividends for Common Stock shall be distributed at least thirty per cent (30%) of the remaining amount. The Board of Directors shall prepare the earnings distribution in accordance with the existing circumstances at the time, taking into account the future development plan of the Bank. Any allocation of cash dividend shall, in principle, be no less than 10% of the total dividends to be distributed that year.

The Banking Law provides that, unless legal reserve reached the Bank's paid-in capital, cash dividends are limited to 15% of paid-in capital.

Under the Company Law, legal reserve should be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. According to an amendment to the Company Law, when the Bank has no deficit and its legal reserve has exceeded 25% of its paid-in capital, the excess may be distributed in the form of stocks or cash.

An amount equal to the net debit balance of other items of shareholders' equity (including exchange differences on translating foreign operations, unrealized gain (loss) on financial assets at FVTOCI) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The appropriations of earnings for the 2018 and 2017, which were approved in the shareholders' meetings on June 19, 2019 and June 20, 2018, respectively, were as follows:

| | Appropriation of Earnings | | Dividends Per Share (Dollars) | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Legal reserve | $ 1,057,260 | $ 856,165 | | |
| Special reserve | 39,804 | (214,292) | | |
| Cash dividends | 1,471,134 | 1,397,306 | $0.450 | $0.439 |
| Stock dividends | 866,334 | 862,573 | 0.265 | 0.271 |

The appropriations of earnings for 2019 had been proposed by the Bank's Board of Directors on March 23, 2020. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | Dividends Per Share (NT$) |
|---|---|---|
| Legal reserve | $ 1,089,777 | |
| Special reserve | (52,672) | |
| Cash dividends | 1,570,524 | $0.468 |
| Stock dividends | 922,851 | 0.275 |

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 11, 2020.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, a special reserve accounted for 0.5% to 1.0% of the Bank's annual earnings should be made when making the appropriations of earnings for the years from 2016 to 2018 to cope with the staff transformation due to financial technology development. According to Rule No. 10802714560 issued by the FSC on May 15, 2019, Public Banks can choose not to set the above special reserve, but still need to budget for paying costs of employee transformation and training and for possible obligations of employees.

From 2017, the Public Banks can reverse the same amount of the special reserve appropriated in 2016 to 2018 for the expenditure of employee transformation, settlement or educational training to enhance the ability of employees with respect to development of financial technology or business.

d. Other equity items

Unrealized gain (loss) on financial assets at FVTOCI:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance, beginning of year | $ (106,489) | $ 196,065 |
| Recognized for the year | | |
| Unrealized gain or loss | | |
| Debt instruments | 551,246 | (280,322) |
| Equity instruments | (4,395) | (37,126) |
| Share of other comprehensive income (loss) of associates for using the equity method | 5,632 | (22,016) |
| Investment in debt instruments transferred to current income (loss) due to disposal | (6,359) | (28,621) |
| Other comprehensive income recognized for the year | 546,124 | (368,085) |
| Gain (loss) of equity instruments transferred to retained earnings due to disposal | 68,461 | 65,531 |
| Balance, ending of year | $ 508,096 | $ (106,489) |

## 28. NET INTERESTS

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Interest revenues | | |
| Discounts and loans | $ 9,172,982 | $ 8,726,303 |
| Securities | 1,444,986 | 1,252,950 |
| Credit cards | 820,738 | 818,190 |
| Others | 366,621 | 463,765 |
| | 11,805,327 | 11,261,208 |
| Interest expenses | | |
| Deposits and remittances | 5,090,700 | 4,388,049 |
| Bank debentures | 393,100 | 368,192 |
| Structured products | 369,062 | 299,317 |
| Bonds under repurchase agreements | 266,015 | 243,164 |
| Due to other banks | 252,885 | 286,192 |
| Others | 32,530 | 23,847 |
| | 6,404,292 | 5,608,761 |
| | $ 5,401,035 | $ 5,652,447 |

## 29. NET SERVICE FEE INCOME

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Service fee income | | |
| Wealth management | $ 1,487,675 | $ 1,383,464 |
| Credit business | 1,125,447 | 1,042,326 |
| Credit cards | 974,699 | 978,553 |
| Others | 231,623 | 204,147 |
| | 3,819,444 | 3,608,490 |
| Service fee expense | | |
| Benefit and chargeback fee | 197,177 | 199,360 |
| Visa and Master | 149,320 | 157,537 |
| Promotion Service fee | 102,763 | 35,665 |
| Agency service fee | 69,137 | 72,938 |
| National credit card center fee | 63,675 | 64,684 |
| Interbank service fee | 47,135 | 46,122 |
| Credit investigation | 42,251 | 46,522 |
| Others | 116,299 | 125,895 |
| | 787,757 | 748,723 |
| | $ 3,031,687 | $ 2,859,767 |

## 30. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Realized gain | $ 1,182,932 | $ 1,352,465 |
| Valuation gain (loss) | 593,942 | (220,958) |
| Net interests | 380,443 | 350,232 |
| Dividend | 16,434 | 22,632 |
| | $ 2,173,751 | $ 1,504,371 |

## 31. EMPLOYEE BENEFITS EXPENSE

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Salaries | $ 3,104,768 | $ 2,941,983 |
| Labor and health insurance | 214,277 | 209,610 |
| Post-employment benefits (Note 26) | 144,308 | 144,633 |
| Others | 350,359 | 361,790 |
| | $ 3,813,712 | $ 3,658,016 |

According to the Bank's Articles, from the Bank's income before income tax, remuneration of directors and employees' compensation, the Bank should retain 3.5%-4.5% for employees' compensation and no greater than 1.5% for remuneration of directors. On March 23, 2020, the Bank's Board of Directors resolved to pay employees' compensation of $162,611 thousand and remuneration of directors of $54,204 thousand for the year ended December 31, 2019, both in cash. If there is a change in the amounts after the financial statements for the year ended December 31, 2019 were authorized for issue, the differences will be recorded as a change in the accounting estimate and adjusted in the next year.

On March 21, 2019 the Bank's Board of Directors resolved to pay employees' compensation of $152,444 thousand and remuneration of directors of $50,814 thousand for the year ended December 31, 2018, both in cash. There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2018.

Information on the employees' compensation and remuneration of directors resolved by the Bank's Board of Directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 32. DEPRECIATION AND AMORTIZATION

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Depreciation (Notes 17 and 18) | $ 631,198 | $ 220,349 |
| Amortization | $ 25,483 | $ 25,483 |

## 33. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Tax and government fees | $ 607,907 | $ 594,366 |
| Marketing and advertising | 453,991 | 403,850 |
| Software | 188,840 | 180,829 |
| Telecommunications | 162,160 | 162,891 |
| Lease expenses | 28,306 | 417,156 |
| Others | 697,788 | 719,019 |
| | $ 2,138,992 | $ 2,478,111 |

## 34. INCOME TAX EXPENSE

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Current tax expense | | |
| Current period | $ 453,922 | $ 292,287 |
| Prior years | (1,247) | (772) |
| | 452,675 | 291,515 |
| Deferred tax expense | | |
| Current period | 119,532 | 318,761 |
| Prior years | (26) | (1,710) |
| Effect of change in tax rate | - | (82,512) |
| Deferred tax expense | 119,506 | 234,539 |
| Income tax expense recognized in profit or loss | $ 572,181 | $ 526,054 |

A reconciliation of accounting income and income tax expense recognized in profit or loss was as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Income before income tax | $ 4,204,776 | $ 4,050,255 |
| Income tax expense calculated at the statutory rate | $ 840,955 | $ 810,050 |
| Income from offshore banking unit (OBU) | (452,164) | (281,594) |
| Tax-exempted investment income | (75,688) | (314,653) |
| Tax-exempted other items | 4,901 | (64,470) |
| Unrecognized loss carryforwards | - | (11,696) |
| Loss carryforwards utilized in the current year | (26,794) | - |
| Unrecognized deductible temporary differences | 65,577 | 181,124 |
| Additional income tax under the Alternative Minimum Tax Act | 176,336 | 254,199 |
| Overseas branch income tax | 40,095 | 38,088 |
| Adjustments for prior years' tax | (1,273) | (2,482) |
| Effect of change in tax rate | - | (82,512) |
| Others | 236 | - |
| Income tax expense recognized in profit or loss | $ 572,181 | $ 526,054 |

In 2018, the Income Tax Act in Taiwan was amended. Starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax benefit has been recognized in profit or loss. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

Due to the uncertainty of appropriation of earnings and approval by the shareholders in their meeting in 2020, the potential consequence of the 5% income tax rate of the unappropriated earnings in 2019 can not be determined reliably.

b. The movements of deferred tax assets were as follows:

| | Beginning Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income (Loss) | Ending Balance |
|---|---|---|---|---|
| For the year ended December 31, 2019 | | | | |
| Temporary differences | | | | |
| Allowance for possible loss in excess of the limit | $ 185,461 | $ (70,881) | $ - | $ 114,580 |
| Defined benefit plans in excess of the limit | 160,799 | (11,625) | 6,099 | 155,273 |
| Unrealized gain or loss on financial instruments | (52,005) | (35,797) | - | (87,802) |
| Others | 40,451 | (1,203) | - | 39,248 |
| | $ 334,706 | $ (119,506) | $ 6,099 | $ 221,299 |

(Continued)

| | Beginning Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income (Loss) | Ending Balance |
|---|---|---|---|---|
| For the year ended December 31, 2018 | | | | |
| Temporary differences | | | | |
| Allowance for possible losses in excess of the limit | $ 398,739 | $ (213,278) | $ - | $ 185,461 |
| Defined benefit plans in excess of the limit | 137,528 | 90 | 23,181 | 160,799 |
| Unrealized gain or loss on financial instruments | (47,290) | (4,715) | - | (52,005) |
| Others | 23,265 | 17,186 | - | 40,451 |
| | 512,242 | (200,717) | 23,181 | 334,706 |
| Unused loss carryforwards | 33,822 | (33,822) | - | - |
| | $ 546,064 | $ (234,539) | $ 23,181 | $ 334,706 |

(Concluded)

c. Unrecognized as deferred tax assets in respect of loss carryforwards

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Expire in 2021 | $ - | $ 133,968 |

d. Unrecognized as deferred tax assets in respect of deductible temporary differences

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Allowance for possible losses in excess of the limit | $ 1,233,505 | $ 905,618 |

e. Income tax assessments

The income tax returns of the Bank through 2017 had been assessed by the tax authorities.

## 35. EARNINGS PER SHARE

Unit: NT$ Per Share

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Basic EPS | $ 1.08 | $ 1.05 |
| Diluted EPS | $ 1.08 | $ 1.04 |

The net income and weighted average number of ordinary shares outstanding for EPS calculation were as follows:

**Net Income for the Year**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Net income attributable to owners of the Bank | $ 3,632,595 | $ 3,524,201 |
| Effect of dilutive potential ordinary shares | | |
| Euro Convertible Bonds | - | 3,420 |
| Net income used in the computation of diluted EPS | $ 3,632,595 | $ 3,527,621 |

**Number of Ordinary Shares (In Thousand Shares)**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Weighted average number of ordinary shares in the computation of basic EPS | 3,355,819 | 3,355,819 |
| Effect of dilutive potential ordinary shares | | |
| Euro Convertible Bonds | - | 15,785 |
| Employees' compensation | 16,768 | 18,516 |
| Weighted average number of ordinary shares used in the computation of diluted EPS | 3,372,587 | 3,390,120 |

The weighted average number of ordinary shares outstanding for 2018 EPS calculation was retroactively adjusted to the issuance of stock dividends. The basic and diluted after-tax EPS were adjusted retrospectively as follows:

| | **Before Adjustment** | **After Adjustment** |
|---|---|---|
| Basic EPS | $ 1.08 | $ 1.05 |
| Diluted EPS | $ 1.07 | $ 1.04 |

Employees' compensation for the current year should be considered in calculating the weighted-average number of shares outstanding used for calculating diluted EPS. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the board meeting resolves the number of shares to be distributed as employees' compensation at their board meeting in the following year.

## 36. RELATED-PARTY TRANSACTIONS

The Bank had significant business transactions with the following related parties:

| Related Party | Relationship with the Bank |
|---|---|
| Far Eastern Asset Management Co., Ltd. | Subsidiary company |
| Far Eastern International Securities Co., Ltd. | Subsidiary company |
| FEIB Financial Leasing Co., Ltd. | Subsidiary company of Far Eastern Asset Management Co., Ltd. |
| Dah Chung Bills Finance Corp. | Association |
| Ding Ding Integrated Marketing Service Co. | Chairman is the vice-chairman of the Bank |
| Asia Cement Corp. | Chairman is the vice-chairman of the Bank |
| Far Eastern Department Store Corp. | Chairman is the vice-chairman of the Bank |
| Yuan Ding Co., Ltd. | Chairman is the vice-chairman of the Bank |
| Ding Ding Hotel Co., Ltd. | Chairman is the vice-chairman of the Bank |
| New Century InfoComm Tech Co., Ltd. | Chairman is the vice-chairman of the Bank |
| U-Ming Marine Transport Corp. | Chairman is the vice-chairman of the Bank |
| Far EasTone Telecommunications Corporation | Chairman is the vice-chairman of the Bank |
| Oriental Union Chemical Corporation | Chairman is the vice-chairman of the Bank |
| Far Eastern New Century Corp. | Chairman is the vice-chairman of the Bank |
| U-Ming Marine Transport (Singapore) Private, Ltd. | Chairman of parent company is the vice-chairman of the Bank |
| Everest Textile Co., Ltd. | Chairman is a second-degree relative of the vice chairman of the Bank |
| Far Eastern International Leasing Corp. | Substantive related party |
| Yuan Long Stainless Steel Co. | Substantive related party |
| Pacific SOGO Department Stores Corporation | Substantive related party |
| Others | The Bank's chairman, vice-chairman, managers, their second-degree relatives or substantive related party |

The significant transactions and account balances with the above parties (in addition to those disclosed in other notes) are summarized as follows:

a. Loans to other banks

| Related Party | Highest Balance in Current Year | Ending Balance | Interest Revenues | Interest Rates |
|---|---|---|---|---|
| Dah Chung Bills Finance Corp. | | | | |
| For the year ended December 31 | | | | |
| 2019 | $ 200,000 | $ - | $ 7 | 0.45% |
| 2018 | $ 1,600,000 | $ - | $ 1,153 | 0.34%-0.41% |

b. Loans

| Category | Number of Accounts and Related Party | Highest Balance in Current Year | Ending Balance | Normal Loans | Nonperforming Loans | Collateral | Transactions Terms Different from Those for Unrelated Parties |
|---|---|---|---|---|---|---|---|
| For the year ended December 31, 2019 | | | | | | | |
| Consumer loans | Six individuals | $ 8,029 | $ 871 | $ 871 | $ - | Unsecured loan | Note 2 |
| Loans for residential mortgage | Twenty nine individuals | 313,283 | 273,117 | 273,117 | - | Real estate | Note 2 |
| Others | Yuan Long Stainless Steel Co. | 1,706,000 | 1,400,000 | 1,400,000 | - | Real estate | Note 2 |
| | Far Eastern New Century Corp. | 1,500,000 | 1,500,000 | 1,500,000 | - | Machinery | Note 2 |
| | Others (Note 1) | 2,612,723 | 484,453 | 484,453 | - | Real estate, certificates of deposit, stock unlisted on TWSE, and stock listed on TWSE | Note 2 |
| | | | $ 3,658,441 | $ 3,658,441 | $ - | | |
| For the year ended December 31, 2018 | | | | | | | |
| Consumer loans | Five individuals | 1,847 | $ 801 | $ 801 | $ - | Unsecured loan | Note 2 |
| Loans for residential mortgage | Twenty five individuals | 281,695 | 254,190 | 254,190 | - | Real estate | Note 2 |
| Others | Yuan Long Stainless Steel Co. | 1,706,572 | 1,706,000 | 1,706,000 | - | Real estate | Note 2 |
| | Asia Cement Corp. | 600,000 | 400,000 | 400,000 | - | Stock listed on TWSE | Note 2 |
| | Far Eastern New Century Corp. | 390,000 | 300,000 | 300,000 | - | Machinery | Note 2 |
| | Others (Note 1) | 1,889,065 | 86,000 | 86,000 | - | Real estate, ship and certificates of deposit, stock unlisted on TWSE, and stock listed on TWSE | Note 2 |
| | | | $ 2,746,991 | $ 2,746,991 | $ - | | |

Note 1: The individual amount does not exceed 10% of the total disclosure amount.
Note 2: The terms of loans were no superior to those for unrelated parties.

| | Interest Rate | Interest Revenues | Provision for Possible Losses |
|---|---|---|---|
| For the year ended December 31 | | | |
| 2019 | 1.05%-3.68% | $ 34,851 | $ 9,209 |
| 2018 | 0.99%-3.68% | $ 30,835 | $ 3,877 |

Balances of related allowance for possible losses were $37,950 thousand and $28,741 thousand as of December 31, 2019 and 2018, respectively.

c. Guarantees

| Related Party | Highest Balance in Current Year | Ending Balance | Reserve for Guarantee Obligations | Interest Rate | Collateral |
|---|---|---|---|---|---|
| For the year ended December 31, 2019 | | | | | |
| Far Eastern International Leasing Corp. | $ 500,000 | $ 500,000 | $ 5,000 | 0.30% | Real estate |
| Oriental Union Chemical Corporation | 130,000 | 130,000 | 1,300 | 0.50% | Stock unlisted on TWSE |
| Others (Note) | 93,000 | 63,000 | 630 | 0.60%-0.80% | Stock unlisted on TWSE and machinery |
| | | $ 693,000 | $ 6,930 | | |

(Continued)

| Related Party | Highest Balance in Current Year | Ending Balance | Reserve for Guarantee Obligations | Interest Rate | Collateral |
|---|---|---|---|---|---|
| For the year ended December 31, 2018 | | | | | |
| Yuan Long Stainless Steel Co. | $ 60,000 | $ 30,000 | $ 300 | 0.60% | Machinery |
| Ding Ding Hotel Co., Ltd. | 20,000 | 20,000 | 200 | 0.80% | Stock unlisted on TWSE |
| Yuan Ding Investment Co. | 13,000 | 13,000 | 130 | 0.80% | Stock unlisted on TWSE |
| Others (Note) | 749,835 | - | - | 0.45%-0.80% | Real estate, stock unlisted on TWSE, ship and certificates of deposit |
| | | $ 63,000 | $ 630 | | |

(Concluded)

Note: The individual amount does not exceed 10% of the total disclosure amount.

d. Letters of credit issued

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Everest Textile Co., Ltd. | $ 6,199 | $ 3,331 |
| Yuan Long Stainless Steel Co. | 4,510 | 8,664 |
| | $ 10,709 | $ 11,995 |

e. Acceptances

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Everest Textile Co., Ltd. | $ 5,602 | $ - |

f. Security transactions - buy and sell

| | FVTPL - Bonds | | Resale Agreement - Bonds | Repurchase Agreement - Bonds |
|---|---|---|---|---|
| | Buy | Sell | | |
| Dah Chung Bills Finance Corp. | | | | |
| For the year ended December 31 | | | | |
| 2019 | $ - | $ - | $ 1,280,000 | $ - |
| 2018 | $ - | $ 100,000 | $ 9,977,023 | $ - |

g. Derivative instruments

| Related Party | Derivative Instrument | Contract Period | Nominal Amount | Valuation Gain (Loss) | Balance Sheet Account | Balance Sheet Balance |
|---|---|---|---|---|---|---|
| For the year ended December 31, 2019 | | | | | | |
| U-Ming Marine Transport (Singapore) Private, Ltd. | Interest rate swap contracts | 2012.09.27 - 2027.09.30 | $ 3,320,767 | $ (18,929) | Financial liabilities at FVTPL | $ 15,567 |
| | | | | | Financial assets at FVTPL | 5,391 |
| Far Eastern New Century Corp. | Forward exchange contracts | 2019.11.05 - 2020.03.17 | 1,030,260 | 4,576 | Financial liabilities at FVTPL | 815 |
| Asia Cement Corp. | Cross-currency swap contracts | 2018.12.25 - 2021.09.15 | 451,590 | (10,252) | Financial assets at FVTPL | 1,397 |
| Dah Chung Bills Finance Corp. | Convertible (exchangeable) bond asset swap contracts | 2016.06.20 - 2019.06.16 | - | (381) | Financial assets at FVTPL | - |
| For the year ended December 31, 2018 | | | | | | |
| U-Ming Marine Transport Corp. | Cross-currency swap contracts | 2018.12.03 - 2019.01.07 | $ 307,330 | $ (805) | Financial liabilities at FVTPL | $ 335 |
| U-Ming Marine Transport (Singapore) Private, Ltd. | Interest rate swap contracts | 2012.09.27 - 2027.09.30 | 3,489,425 | 15,320 | Financial assets at FVTPL | 16,413 |
| | | | | | Financial liabilities at FVTPL | 13,051 |
| Far Eastern New Century Corp. | Forward exchange contracts | 2018.11.27 - 2019.03.27 | 439,107 | 3,354 | Financial assets at FVTPL | 4,194 |
| | | | | | Financial liabilities at FVTPL | 840 |
| New Century InfoComm Tech Co., Ltd. | Foreign-currency swap contracts | 2018.10.29 - 2019.01.31 | 537,828 | (928) | Financial assets at FVTPL | 30 |
| | | | | | Financial liabilities at FVTPL | 958 |
| Asia Cement Corp. | Cross-currency swap contracts | 2018.12.25 - 2021.09.15 | 460,995 | 489 | Financial assets at FVTPL | 2,244 |
| Dah Chung Bills Finance Corp. | Convertible (exchangeable) bond asset swap contracts | 2016.01.19 - 2019.06.16 | 20,000 | (14,405) | Financial assets at FVTPL | 450 |
| | | | | | Financial liabilities at FVTPL | 69 |

h. Deposits

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Deposits of related parties (each account balance did not exceed 5% of total deposits) | $ 50,193,985 | $ 44,982,925 |
| Interest rate | 0%-6.08% | 0%-6.08% |

| | For the Year Ended December 31 2019 | For the Year Ended December 31 2018 |
|---|---|---|
| Interest expenses | $ 506,385 | $ 474,553 |

i. Service fee expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Benefit and chargeback fee - Ding Ding Integrated Marketing Service Co. | $ 128,030 | $ 128,252 |
| Benefit and chargeback fee - Far Eastern Department Store Corp. | 18,988 | 19,465 |
| Promotion Service fee - Far EasTone Telecommunications Corporation | 94,128 | 21,418 |
| Promotion Service fee - Far Eastern International Securities | 5,265 | 11,455 |
| | $ 246,411 | $ 180,590 |

j. Operating expenses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Marketing and advertising - Far Eastern Department Store Corp. | $ 97,684 | $ 84,393 |
| Marketing and advertising - Pacific SOGO Department Stores Corp. | 72,470 | 86,303 |
| Marketing and advertising - Ding Ding Hotel Co., Ltd. | 14,188 | 13,422 |
| Lease expenses - Yuan Ding Co., Ltd. (Note) | 2,640 | 84,617 |
| | $ 186,982 | $ 268,735 |

Note: Lease expenses are recognized based on IAS 17 for operating leases for the year ended December 31, 2018. Lease information under IFRS 16 in 2019 are disclosed in Note 37 (k) disclosure of lease agreement information

k. Lessee agreements

| | For the Year Ended December 31, 2019 |
|---|---|
| Lease liabilities - Yuan Ding Co., Ltd. | $ 98,568 |
| Lease liabilities - Far Eastern Department Store Corp. | 28,602 |
| | $ 127,170 |

The Bank rented part of its office premises from Yuan Ding Co., Ltd. and Far Eastern Department Store Corp. Based on the lease agreements, the rents were payable monthly.

l. Compensation of key management personnel

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Short-term employee benefits | $ 203,442 | $ 177,335 |
| Post-employment benefits | 2,144 | 2,189 |
| | $ 205,586 | $ 179,524 |

## 37. PLEDGED ASSETS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| FVTOCI | | |
| Government bonds | $ 3,643,145 | $ 3,586,922 |
| Negotiable certificates of deposits issued by the Central Bank | 2,910,673 | 3,306,146 |
| Other financial assets - deposits with original maturity more than 3 months | 864,400 | 894,600 |
| | $ 7,418,218 | $ 7,787,668 |

The negotiable certificates of deposits issued by the Central Bank had been pledged as collaterals to back the extension of intraday credit in the Central Bank's real-time gross settlement system. The balance of intraday credit and the amount of collateral may vary at any time. Deposits with original maturity more than 3 months had provided as collaterals for overdraft of domestic CNY settlement. The government bonds had been provided as the reserve for compensation of trust department as well as security bond for provisional seizures of the debtors' properties.

## 38. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, the Bank' contingent liabilities and commitments resulting from operating activities as of December 31, 2019 and 2018 are summarized as follows:

a. Balance sheets and income statements of trust accounts and the trust assets lists were as follows:

**Balance Sheets of Trust Accounts**

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Assets | | |
| Deposits in banks | $ 6,079,772 | $ 5,397,051 |
| Accounts receivable | 9,580 | 17,043 |
| Funds | 42,604,532 | 41,006,506 |
| Equity stocks | 4,974,188 | 4,955,244 |
| Bond investments | 5,669 | 5,468 |
| Real estate | | |
| Land | 4,002,671 | 2,766,640 |
| Building | 49,991 | 39,743 |
| Construction in progress | 675,128 | 1,072,468 |
| Marketable securities in custody | 13,921,416 | 10,924,845 |
| Others | 2,121,123 | 1,793,961 |
| | $ 74,444,070 | $ 67,978,969 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Liabilities | | |
| Accounts payable | $ 1,854 | $ 1,920 |
| Income tax payable | 331 | 196 |
| Marketable securities in custody payable | 13,921,416 | 10,924,845 |
| Trust capital | 59,062,840 | 56,058,747 |
| Reserve and earnings | | |
| Net income or loss for current period | 1,883,863 | 1,163,923 |
| Accumulated profit or loss | (425,576) | (169,471) |
| Exchange | (658) | (1,191) |
| | $ 74,444,070 | $ 67,978,969 |

(Concluded)

**Income Statements of Trust Accounts**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Trust revenue | | |
| Interest | $ 37,937 | $ 37,404 |
| Cash dividends | 2,068,046 | 1,870,890 |
| Realized capital gain - Common stock | 507 | 99 |
| Realized capital gain - Funds | 593,855 | 615,734 |
| Unrealized capital gain - Bond | 311 | - |
| Unrealized capital gain - Common stock | 555,348 | 91,329 |
| Unrealized capital gain - Funds | 96,933 | 93,449 |
| Revenue from stock lending | - | 16 |
| Others | - | 159 |
| | 3,352,937 | 2,709,080 |
| Trust expenses | | |
| Management | 38,257 | 41,951 |
| Supervision | 475 | 487 |
| Taxes | 21,123 | 33,976 |
| Service charges | 149,676 | 8,743 |
| Realized capital loss - Funds | 1,189,425 | 1,185,479 |
| Unrealized capital loss - Bond | - | 126 |
| Unrealized capital loss - Common stock | - | 154,707 |
| Unrealized capital loss - Funds | 69,591 | 119,291 |
| Service fee for stock lending | - | 1 |
| | 1,468,547 | 1,544,761 |
| Income before tax | 1,884,390 | 1,164,319 |
| Income tax | 527 | 396 |
| Net income | $ 1,883,863 | $ 1,163,923 |

**Trust Asset Lists**

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Deposits in banks | $ 6,079,772 | $ 5,397,051 |
| Bonds investments | 5,669 | 5,468 |
| Equity stocks | 4,974,188 | 4,955,244 |
| Funds | 42,604,532 | 41,006,506 |
| Accounts receivable | 9,580 | 17,043 |
| Real estate, net | | |
| Land | 4,002,671 | 2,766,640 |
| Building | 49,991 | 39,743 |
| Construction in progress | 675,128 | 1,072,468 |
| Marketable securities in custody | 13,921,416 | 10,924,845 |
| Others | 2,121,123 | 1,793,961 |
| | $ 74,444,070 | $ 67,978,969 |

As of December 31, 2019 and 2018, funds amounting to $1,337,806 thousand and $1,393,772 thousand, respectively, had been recognized in the OBU's books as investment in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

## 39. UNSETTLED LITIGATION EVENTS

Regarding the claims of the Bank against Allied Material Technology Co., in October 2017, the Taiwan High Court ruled that the Bank shall pay $244,563 thousand plus interest to other banks (the amount was derived from the reorganization of Allied Material Technology Co.). The Bank has appealed in accordance with laws and regulations. The Supreme Court remanded the case to the Taiwan High Court on December 20, 2018. Based on attorney's assessment of the remand, the probability of winning the litigation may be high. Accordingly, the Bank has not evaluated related liabilities.

## 40. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 3,640,940 | 30.106 | $ 109,614,140 | $ 3,846,562 | 30.733 | $ 118,216,382 |
| HKD | 4,343,854 | 3.866 | 16,793,340 | 3,129,424 | 3.924 | 12,279,860 |
| AUD | 248,417 | 21.100 | 5,241,606 | 457,123 | 21.670 | 9,905,863 |
| ZAR | 1,558,910 | 2.142 | 3,339,185 | 1,315,093 | 2.130 | 2,801,148 |
| CNY | 709,574 | 4.322 | 3,066,780 | 928,509 | 4.473 | 4,153,219 |
| EUR | 75,439 | 33.740 | 2,545,316 | 64,066 | 35.210 | 2,255,778 |
| JPY | 7,164,801 | 0.277 | 1,985,366 | 12,639,326 | 0.278 | 3,518,788 |
| SGD | 41,948 | 22.360 | 937,946 | 36,216 | 22.480 | 814,145 |
| GBP | 6,644 | 39.540 | 262,698 | 7,840 | 38.880 | 304,813 |
| CAD | 8,387 | 23.080 | 193,567 | 10,243 | 22.580 | 231,284 |
| NZD | 6,901 | 20.260 | 139,810 | 7,251 | 20.620 | 149,518 |

(Continued)

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | $ 3,498,468 | 30.106 | $ 105,324,866 | $ 3,723,220 | 30.733 | $ 114,425,720 |
| HKD | 4,325,941 | 3.866 | 16,724,087 | 3,086,761 | 3.924 | 12,112,450 |
| AUD | 248,094 | 21.100 | 5,234,790 | 456,347 | 21.670 | 9,889,048 |
| ZAR | 1,537,371 | 2.142 | 3,293,048 | 1,319,035 | 2.130 | 2,809,545 |
| CNY | 699,151 | 4.322 | 3,021,730 | 932,046 | 4.473 | 4,169,043 |
| EUR | 72,590 | 33.740 | 2,449,201 | 66,480 | 35.210 | 2,340,753 |
| JPY | 6,788,914 | 0.277 | 1,881,208 | 12,397,679 | 0.278 | 3,451,514 |
| SGD | 41,882 | 22.360 | 936,471 | 36,159 | 22.480 | 812,851 |
| CAD | 8,411 | 23.080 | 194,125 | 10,244 | 22.580 | 231,300 |
| GBP | 4,666 | 39.540 | 184,485 | 7,782 | 38.880 | 302,562 |
| NZD | 6,723 | 20.260 | 136,201 | 7,326 | 20.620 | 151,067 |

(Concluded)

## 41. FINANCIAL INSTRUMENTS

a. Information of fair value

1) Overview

Fair value is defined as the price the trader collected or paid in an ordinary transaction for disposal or acquisition of assets or transfer of liabilities on the measurement date.

Financial instruments are initially recognized at fair value which is the transaction price in general terms. All financial instruments are subsequently measured at fair value except for financial instruments which are valued at amortized cost.

2) The definition of three levels of fair value information

a) Level 1

Level 1 inputs are observable inputs that reflect quoted prices for identical financial instruments in an active market. A market is active if it has these characteristics: Products traded in the market are homogeneous; willing buyers and sellers can be found immediately and the price information is publicly available.

b) Level 2:

Level 2 inputs are observable inputs other than quoted prices for identical assets or liabilities in active markets, including direct inputs (such as market prices) or indirect inputs (such as prices derived from market prices).

c) Level 3

Level 3 inputs are unobservable items such as inputs derived through extrapolation or interpolation and thus cannot be corroborated by observable market data.

b. Fair value information - Financial instrument measured at fair value under repetitive basis

1) Information of the financial instruments measured at fair value categorized by level is as follows:

| Repetitive Financial Instruments | December 31, 2019 Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Non-derivative financial assets and liabilities | | | | |
| Assets | | | | |
| Mandatorily at FVTPL | | | | |
| Bonds investments | $ 12,105,443 | $ 12,105,443 | $ - | $ - |
| Equity investments | 713,681 | 713,681 | - | - |
| Bills investments | 17,843,850 | - | 17,843,850 | - |
| Beneficiary certificates | 426,828 | 426,828 | - | - |
| FVTOCI | | | | |
| Equity instruments | 1,208,021 | 888,270 | - | 319,751 |
| Debt instruments | | | | |
| Bonds investments | 68,032,979 | 68,032,979 | - | - |
| Bills investments | 63,068,472 | - | 63,068,472 | - |
| Derivative financial assets and liabilities | | | | |
| Assets | | | | |
| Mandatorily at FVTPL | 3,241,362 | - | 3,119,889 | 121,473 |
| Liabilities | | | | |
| Financial liabilities at FVTPL | (3,909,304) | (3,073) | (3,904,416) | (1,815) |
| Hybrid contract | | | | |
| Mandatorily at FVTPL | 18,684,277 | 239,844 | 18,444,433 | - |
| | $ 181,415,609 | $ 82,403,972 | $ 98,572,228 | $ 439,409 |

| Repetitive Financial Instruments | December 31, 2018 Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Non-derivative financial assets and liabilities | | | | |
| Assets | | | | |
| Mandatorily at FVTPL | | | | |
| Bonds investments | $ 8,324,585 | $ 8,324,585 | $ - | $ - |
| Equity investments | 64,115 | 64,115 | - | - |
| Bills investments | 18,556,024 | - | 18,556,024 | - |
| FVTOCI | | | | |
| Equity instruments | 1,265,822 | 930,492 | - | 335,330 |
| Debt instruments | | | | |
| Bonds investments | 55,562,384 | 55,562,384 | - | - |
| Bills investments | 62,950,846 | - | 62,950,846 | - |
| Derivative financial assets and liabilities | | | | |
| Assets | | | | |
| Mandatorily at FVTPL | 3,783,114 | 351 | 3,698,910 | 83,853 |

(Continued)

| Repetitive Financial Instruments | December 31, 2018 Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Liabilities | | | | |
| Financial liabilities at FVTPL | $ (2,752,479) | $ (161) | $ (2,685,579) | $ (66,739) |
| Hybrid contract | | | | |
| Mandatorily at FVTPL | 15,779,663 | 544,395 | 15,235,268 | - |
| | $ 163,534,074 | $ 65,426,161 | $ 97,755,469 | $ 352,444 |

(Concluded)

2) Valuation techniques for fair value measurement

When the Bank determine the fair value of financial instruments, they consider the market. If the market is active, then the fair value of the instruments will be consistent with quoted market prices. If the market is not active, then the fair value will be estimated by using a valuation model that is widely adopted by market participants or by referring to counterparties' parameters or to parameters based on conditions and characteristics of financial instruments that are similar to those of the Bank' instruments.
The parameters of valuation model used to measure fair value of financial instruments are usually observable data from market, such as OTC, Reuters and Bloomberg's offering price. The valuation department determines the scope of valuation model and assesses any uncertainty and its impact. In its assessment, the valuation department ensures the following:

a) The consistency and adequacy of the market parameters used in the valuation;

b) The appropriateness of the valuation model in light of the assumptions to be used, the internal control and risk management framework, and the degree of mathematical expertise required for an independent unit to make the valuation;

c) Reliability of price information and other parameters used in the valuation and any model adjustments to be made on the basis of current market conditions.

3) Credit risk valuation adjustment

Credit risk valuation adjustment is for financial instrument transactions made outside the stock exchange, namely the transactions made over-the-counter, which could be mainly divided into credit value adjustment and debit value adjustment. The definition is as follows:

a) Credit Value Adjustment (the "CVA") is the reflection of possibility that counterparty is likely to default and the possible loss that the counter party may not be able to reimburse entire market value.

b) Debit Value Adjustment (the "DVA") is the reflection of possibility that the Bank is likely to default and the uncertainly that the Bank may not be able to reimburse for the entire market value.

The CVA is calculated by multiplying the probability of default (the "PD"), loss given default (the "LGD") and exposure at default (the "EAD") of counterparty together. In contrast, DVA is calculated by multiplying PD (under zero default rate of the counterparty), LGD and EAD of the Bank together.

To take into account all risk factors involved in model-based fair value measurements, the Bank uses the disclosure guidelines issued by the TWSE on CVA and DVA, which are marked to market, using appropriate ratios such as LGD, PD, and EAD. This way, the credit risks on counterparties in OTC-derivative transactions as well as the Bank's credit quality can be considered.

4) Transfers between Levels 1 and Level 2

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

5) Level 3 financial instruments

a) Movement of Level 3 financial assets

**For the Year Ended December 31, 2019**

| Item | Beginning Balance | Valuation | | Increase in the Current Year | | Decrease in the Current Year | | Ending Balance |
|---|---|---|---|---|---|---|---|---|
| | | Included in Profit or Loss | Included in Other Comprehensive Income | Purchase or Issue | Transfer-in | Sale, Disposition or Settlement | Transfer-out from Level 3 | |
| Mandatorily at FVTPL | $ 83,853 | $ 27,598 | $ - | $ 32,620 | $ - | $ (22,598) | $ - | $ 121,473 |
| Financial assets at FVTOCI | 335,330 | - | (15,579) | - | - | - | - | 319,751 |
| Total | $ 419,183 | $ 27,598 | $ (15,579) | $ 32,620 | $ - | $ (22,598) | $ - | $ 441,224 |

**For the Year Ended December 31, 2018**

| Item | Beginning Balance | Valuation | | Increase in the Current Year | | Decrease in the Current Year | | Ending Balance |
|---|---|---|---|---|---|---|---|---|
| | | Included in Profit or Loss | Included in Other Comprehensive Income | Purchase or Issue | Transfer-in (Note) | Sale, Disposition or Settlement | Transfer-out from Level 3 | |
| Mandatorily at FVTPL | $ 110,601 | $ (18,265) | $ - | $ 8,321 | $ - | $ (16,804) | $ - | $ 83,853 |
| Financial assets at FVTOCI | - | - | 25,675 | - | 309,655 | - | - | 335,330 |
| Total | $ 110,601 | $ (18,265) | $ 25,675 | $ 8,321 | $ 309,655 | $ (16,804) | $ - | $ 419,183 |

Note: Due to retroactive classification per IFRS 9 in the beginning balance of 2018.

b) Movements of Level 3 financial liabilities

**For the Year Ended December 31, 2019**

| Item | Beginning Balance | Valuation | Increase in the Current Year | | Decrease in the Current Year | | Ending Balance |
|---|---|---|---|---|---|---|---|
| | | | Purchase or Issue | Transfer-in | Sale, Disposition or Settlement | Transfer-out from Level 3 | |
| Financial liabilities at FVTPL | | | | | | | |
| Derivative financial liabilities | $ 66,739 | $(34,447) | $ 1,705 | $ - | $(32,182) | $ - | $ 1,815 |

**For the Year Ended December 31, 2018**

| Item | Beginning Balance | Valuation | Increase in the Current Year | | Decrease in the Current Year | | Ending Balance |
|---|---|---|---|---|---|---|---|
| | | | Purchase or Issue | Transfer-in | Sale, Disposition or Settlement | Transfer-out from Level 3 | |
| Financial liabilities at FVTPL | | | | | | | |
| Derivative financial liabilities | $ 3,827 | $ (1,675) | $ 66,739 | $ - | $ (2,152) | $ - | $ 66,739 |

c) Quantitative information of significant unobservable parameters used in fair value measurement (Level 3 financial instruments)

Level 3 financial instruments mainly consist of credit default swap and investment in equity instrument at FVTOCI which have single major unobservable parameters; quantitative information is as follows:

| Measured at Fair Value Based on Repetition | Fair Value as of December 31, 2019 | Valuation Techniques | Significant Unobservable Parameters | Interval (Weighted-average) | Relationship Between Parameters and Fair Value |
|---|---|---|---|---|---|
| Derivative financial assets | | | | | |
| December 31, 2019 | $ 121,473 | Default probability model | Credit separation | 0.40%-2.50% | The increase of credit separation decreases its fair value. |
| December 31, 2018 | 83,853 | Default probability model | Credit separation | 0.40%-3.50% | The increase of credit separation decreases its fair value. |
| Investments in equity | | | | | |
| December 31, 2019 | 291,069 | Income approach - cash dividend discount method | Without open market marketable discount | 20.06% | The increase of discount decreases its fair value |
| | 17,442 | Market approach - analogy company law | Without open market marketable discount | 10.00% | The increase of discount decreases its fair value |
| | 11,240 | Net asset value method | N/A | N/A | N/A |
| December 31, 2018 | 299,678 | Income approach - cash dividend discount method | Without open market marketable discount | 20.16% | The increase of discount decreases its fair value |
| | 24,809 | Market approach - analogy company law | Without open market marketable discount | 10.00% | The increase of discount decreases its fair value |
| | 10,843 | Net asset value method | N/A | N/A | N/A |
| Derivative financial liabilities | | | | | |
| December 31, 2019 | 1,815 | Default probability model | Credit separation | 0.40%-2.50% | The increase of credit separation decreases its fair value. |
| December 31, 2018 | 66,739 | Default probability model | Credit separation | 0.40%-3.50% | The increase of credit separation decreases its fair value. |

d) Valuation procedures for Level 3 fair value

The evaluation of financial instruments at the level 3 is independent of the business unit from specific departments and external experts, evaluating its fair value close to the market status. To ensure the data source is independent, reliable, and consistent with other resources, the evaluation of parameters must review regularly, updating the required input values, and revising essential fair value to ensure the rationality in evaluation with its results.

e) The sensitivity analysis of reasonably possible alternative assumptions for fair value measurements categorized within Level 3

Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact on the profit or loss for the year would have been as follows:

| Item | Impact on Gain and Loss | | | |
|---|---|---|---|---|
| | December 31, 2019 | | December 31, 2018 | |
| | Favorable | Unfavorable | Favorable | Unfavorable |
| Assets | | | | |
| Mandatorily at FVTPL | $ 4,025 | $ (6,208) | $ 2,892 | $ (2,893) |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 653 | (654) | 4,300 | (4,302) |

Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact on other comprehensive income or loss for the current year would have been as follows:

| Item | Impact on Other Comprehensive Income and Losses | | | |
|---|---|---|---|---|
| | December 31, 2019 | | December 31, 2018 | |
| | Favorable | Unfavorable | Favorable | Unfavorable |
| Assets | | | | |
| Financial assets at FVTOCI | $ - | $ (59) | $ 59 | $ (59) |

The favorable and unfavorable movement refers to the fluctuation of fair values, which is calculated on the basis of valuation techniques involving the use of input parameters.

c. Fair Value information - Financial instruments not measured at fair value

The Bank consider that the book value of financial assets and liabilities which not measured at fair value is close to fair value, except for the book value of those measured at cost and of the items below:

| | 2019 | | The Fair Value Hierarchy of Financial Instruments | |
|---|---|---|---|---|
| | Book Value | Fair Value | Level 1 | Level 2 |
| Financial asset | | | | |
| Investments in debt instrument at amortized cost | $ 2,543,880 | $ 2,565,560 | $ 2,565,560 | $ - |
| Financial liabilities | | | | |
| Bank debentures | 25,001,900 | 25,150,740 | - | 25,150,740 |

| | 2018 | | The Fair Value Hierarchy of Financial Instruments | |
|---|---|---|---|---|
| | Book Value | Fair Value | Level 1 | Level 2 |
| Financial asset | | | | |
| Investments in debt instrument at amortized cost | $ 2,588,654 | $ 2,577,856 | $ 2,577,856 | $ - |
| Financial liabilities | | | | |
| Bank debentures | 18,001,900 | 18,048,549 | - | 18,048,549 |

The evaluation methods and assumptions for Level 2 financial instruments above are quoted from the offering price of OTC.

## 42. FINANCIAL RISK MANAGEMENT

a. Overview

The Bank's risk management policy is to form a risk management-oriented culture, and to use both qualitative and quantitative indexes from internal and external risk management regulations in developing operating strategies.

The Bank has set up an independent risk control department to implement and monitor risk management policies.

The Bank's risk management policies are established to identify and measure the risks faced by the Bank, to set appropriate risk limits and controls, to monitor risks and adherence to limits, and to achieve the target profit.

b. Risk management framework

The Board of Directors, the highest decision-making body of the Bank, has overall responsibility for the establishment and oversight of the Bank's risk management framework.

Asset and Liability Management Committee and Risk Management Committee have been formed to examine and manage the Bank's risks, to assess the execution of risk management policies and to evaluate risk tolerance. The general manager is the convener, and is responsible for appointing members of committees.

Risk Management Department comprises corporate banking and consumer banking groups which directly manage credit extension risks in their respective areas, and present risk management report to the Risk Management Committee and the Board of Directors, regularly. The Internal Audit Department undertakes regular reviews of risk management controls and procedures, including risk management framework, operating procedures of risk management, and provides timely suggestions for improvements.

c. Credit risk

- Definition and scope of credit risk

  Credit risk is the risk of financial loss to the Bank if a borrower, issuer or counterparty to a financial instrument fails to meet its contractual obligations due to its credit deterioration or other factors, such as a dispute between the borrower and its counterparty.

Credit risk includes all risks derived from on- and off-balance sheet business, and all credit risk related to products, businesses and positions.

2) Management policies on credit risk

The Bank shall identify risk factors and consider appropriate risk evaluation and control process prior to taking the existing or new business. For all credit risks identified on- and off-balance sheet, adequate credit limits are set based on the same borrower, counterparty, related party, group, or industry. The Bank shall establish review mechanism to track and assess changes in each borrower's or issuer's financial position; regularly assess and manage asset quality, also strengthen the management of unusual borrowers and make appropriate allowance for possible losses if applicable.

3) The credit risk management processes and valuation methods for credit extension are as follows:

a) The credit risk has increased significantly after original recognition

The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since original recognition. For this assessment, the Bank's considerations show that the credit risk has increased significantly since original recognition and can be corroborated. The main considerations include the following:

Qualitative Index

The debtor's payment is overdue for 30-89 days.

Quantitative Index

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

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

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

b) The definition of default and credit impairment on financial assets

The Bank's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and have credit impairment:

Qualitative Index

The debtor's payment is overdue for more than 90 days.

Quantitative Index

If there is any evidence indicates that the debtor can not pay the contract, or the debtor is in a material financial difficulties as follows:

i. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

ii. The debtor has conformed to a non-performed loan by authorities.

iii. The debtor has conducted a negotiation of debts or self-negotiating.

iv. The active market of the financial assets disappeared due to financial difficulties.

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

If the financial assets have not conformed to the definition of default and credit impairment on financial assets for 6 consecutive months, it would not be classified as a default and credit impairment on financial assets.

c) Write off policy

When the Bank can not reasonably expect the recoverable from the entire or partial financial assets, the entire or partial financial assets will be written off. The index of unexpected reasonably recoverable amount includes the following:

i. The recovery of debt has stopped.

ii. The debtor does not have enough assets or income resource to pay the debt after assessment.

Financial asset which has been written-off can do the recovery of debt and institute legal proceedings continuously under related policies.

d) Measurement of expected credit loss

i. Loan and receivables

The Bank considers both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplying, the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

The above "PD" and "LGD" are applied to the credit business according to each group's historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information (such as GDP and unemployment rate), then calculate by applying the progressive one factor model respectively.

When the Bank measured the credit loss of assets combination, the forward-looking information were taken into the PD's consideration. Among them, the index of forward-looking adjustment in PD is predicted by the Corporate banking Sector which adopted the growth rate of real GDP in Taiwan and the Consumer banking Sector which adopted the unemployment rate in Taiwan.

According to the measurement of predict loss in IFRS 9, the forward-looking adjustment in PD is requested to assess any consequences (at least 2 circumstances) and expresses with weighted-average probability. As a result, the Bank took the prediction authorities' consensus forecasting into consideration and adopted the prediction value by at least 2 macroeconomic prediction authorities as the index of forward-looking adjustment.

ii. The investments in debt instrument at amortized cost and at FVTOCI

The measurement of predict credit loss consider the information of PD and LGD which is announced from the external credit ratings and Moody's to calculate. The international credit rating authority has considered the forward-looking information when assessed the credit rating which is taken consideration to measure the predict credit loss by the Bank consequently.

4) Credit risk hedging and mitigation policies

a) The terms of credit facilities are determined in the light of assessments of probability and amounts of default and collateral and guarantees are obtained, including bank deposit receipts, securities (such as treasury securities, government bonds, bank debentures, stocks and bonds guaranteed by financial institutions) and real estate such as land and buildings. Stocks listed on TWSE and TPEx are marked to market day to day, and changes in the value of their collaterals are monitored all the time; values of land and buildings are examined every time the contract is renewed.

b) Through policy mechanism, such as credit limits and credit regulation prior to the credit being committed to customers, to control the quality of credit assets. Via post-loan management, concentration analysis, midway credit and review tracking to view assets quality and changes of each case. Master and monitor risk in time. Periodic reports and feedbacks to understand credit portfolios and overall credit risks, ensure risk offsets for continued effectiveness.

c) According to the Bank's "Principles for Acceptance and Disposal of Collaterals," collateral of nonperforming loans secured through compulsory enforcement or participating distribution, if the minimum auction price or liquidation price of the collateral is too low and damage the Bank's credit right, the Bank will participate in the auction or declare to undertake, for example, the minimum auction price is too low to compensate the principal and interest of loans but the collateral must not be difficult to dispose in the future. For collaterals tendered or undertaken, the Bank should actively seek buyers, and if the collateral is real estate, the Bank should dispose of it within the period prescribed under the Banking Law.

d) Other credit enhancements

If there are guarantee, strategic alliance or collaterals provided in the terms of the loan contracts which the Bank recognized as unsecured loan, when default events occur, the Bank will demand compensation from the guarantor, strategic alliance, transfer of credits to the Bank or disposal of collaterals to decrease credit risk.

5) The maximum credit risk exposure

The carrying amount represents the Bank's maximum exposure to credit risk of the on-balance sheet assets, without taking into account the collaterals held or other credit enhancements. The amounts of the maximum credit exposure of the irrevocable off-balance commitments and guarantees, without taking into account the collaterals held or other credit enhancements, were as follows:

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Unused portion of credit card lines | $ 188,007,163 | $ 179,890,598 |
| Guarantees and standby L/Cs | 24,700,194 | 19,271,353 |
| Irrevocable loan commitments | 14,785,233 | 15,866,641 |

The Bank has documented procedures for the assessment and classification of nonperforming loans and for evaluating adequacy of collaterals.

The breakdown of maximum credit risk exposure of the Bank according to whether collaterals are held or other credit enhancements exist is as follows:

December 31, 2019

| | Maximum Credit Risk Exposure | | | |
|---|---|---|---|---|
| | With Collaterals | Other Credit Enhancements | Without Collaterals | Total |
| Balance sheet items | | | | |
| Discounts and loans | $ 248,126,845 | $ 61,308,183 | $ 80,765,400 | $ 390,200,428 |
| Receivables - credit card | - | - | 14,857,103 | 14,857,103 |
| Receivables - acceptances | 5,602 | 44,307 | 324,637 | 374,546 |
| Off-Balance sheet items | | | | |
| Unused portion of credit card lines | - | - | 188,007,163 | 188,007,163 |
| Guarantee | 14,168,600 | 5,534,907 | 4,166,993 | 23,870,500 |
| Letters of credit issued | 183,117 | 429,247 | 217,330 | 829,694 |
| Irrevocable loan commitments | 181,040 | - | 14,604,193 | 14,785,233 |
| | $ 262,665,204 | $ 67,316,644 | $ 302,942,819 | $ 632,924,667 |

December 31, 2018

| | Maximum Credit Risk Exposure | | | |
|---|---|---|---|---|
| | With Collaterals | Other Credit Enhancements | Without Collaterals | Total |
| Balance sheet items | | | | |
| Discounts and loans | $ 248,098,498 | $ 60,682,444 | $ 76,142,075 | $ 384,923,017 |
| Receivables - credit card | - | - | 14,417,111 | 14,417,111 |
| Receivables - acceptances | - | 98,272 | 341,087 | 439,359 |
| Off-Balance sheet items | | | | |
| Unused portion of credit card lines | - | - | 179,890,598 | 179,890,598 |
| Guarantee | 5,843,474 | 6,147,476 | 6,609,086 | 18,600,036 |
| Letters of credit issued | 11,995 | 220,265 | 439,057 | 671,317 |
| Irrevocable loan commitments | 798,815 | - | 15,067,826 | 15,866,641 |
| | $ 254,752,782 | $ 67,148,457 | $ 292,906,840 | $ 614,808,079 |

When loan contracts set the security of nonperforming loans, article of collaterals and definition of credit event occurrence, the quota and the repayment period can be reduced or regard as maturity to reduce the credit risk.

Refer to Notes 13 and 14 for the credit impairment of financial assets. The provision for impairment loss and the information on potential loss and collateral value are as below:

December 31, 2019

| | Carrying Amount | Impairment | Exposure Measurement (Amortized Cost) | Collateral Fair Value |
|---|---|---|---|---|
| Credit-impaired financial assets | | | | |
| Receivables | | | | |
| Credit cards | $ 1,234,239 | $ 370,500 | $ 863,739 | $ - |
| Other | 30,976 | 7,181 | 23,795 | 12,388 |
| Discounts and loans | 5,458,548 | 849,067 | 4,609,481 | 4,159,922 |
| | $ 6,723,763 | $ 1,226,748 | $ 5,497,015 | $ 4,172,310 |

December 31, 2018

| | Carrying Amount | Impairment | Exposure Measurement (Amortized Cost) | Collateral Fair Value |
|---|---|---|---|---|
| Credit-impaired financial assets | | | | |
| Receivables | | | | |
| Credit cards | $ 1,307,909 | $ 355,222 | $ 952,687 | $ - |
| Other | 30,088 | 7,129 | 22,959 | 13,016 |
| Discounts and loans | 3,426,428 | 908,251 | 2,518,177 | 2,169,318 |
| | $ 4,764,425 | $ 1,270,602 | $ 3,493,823 | $ 2,182,334 |

6) Concentrations of credit risk

The concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaging in similar business activities and having similar economic features. The similarity would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank's concentrations of credit risk by industry, geography and type of collaterals were as follows:

a) By industry

| Credit Risk Profile by Industry Sector | December 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Amount | % | Amount | % |
| Finance and insurance | $ 48,540,314 | 12 | $ 53,669,412 | 14 |
| Manufacturing | 48,052,170 | 12 | 43,696,595 | 11 |
| Wholesale and retail trade | 15,677,396 | 4 | 15,946,673 | 4 |
| | $ 112,269,880 | 28 | $ 113,312,680 | 29 |

b) By geography

| Region | December 31 2019 Amount | 2019 % | 2018 Amount | 2018 % |
|---|---|---|---|---|
| Taiwan | $ 329,681,879 | 84 | $ 319,847,652 | 83 |
| Asia Pacific except Taiwan | 30,898,494 | 8 | 32,731,935 | 9 |
| Others | 29,620,055 | 8 | 32,343,430 | 8 |
| | $ 390,200,428 | 100 | $ 384,923,017 | 100 |

c) By type of collaterals

| Type of Collaterals | December 31 2019 Amount | 2019 % | 2018 Amount | 2018 % |
|---|---|---|---|---|
| Unsecured | $ 142,073,583 | 36 | $ 136,824,519 | 36 |
| Secured | | | | |
| Real estate | 211,438,116 | 54 | 209,070,047 | 54 |
| Movable property | 18,236,041 | 5 | 18,601,434 | 5 |
| Financial collateral | 15,824,637 | 4 | 17,274,959 | 4 |
| Others | 2,628,051 | 1 | 3,152,058 | 1 |
| | $ 390,200,428 | 100 | $ 384,923,017 | 100 |

7) Continuing assessment of credit quality and any impairment of financial assets

Some of the financial assets held by the Bank, such as cash and cash equivalents, due from the Central Bank and other banks, financial assets at FVTPL, securities purchased under resale agreements, bond investment, refundable deposits and operating deposits, are assessed with low credit risk due to the good credit rating of the counterparties.

d. Liquidity risk

1) Sources and definition of liquidity risk

Liquidity risk is the risk that the Bank is unable to liquidate assets or obtain loans to meet its obligations when they fall due as a result of customer deposits being early withdrawn, deteriorating access to and terms of interbank facilities, deteriorating delinquency by borrowers, or financial instruments not easily liquidated. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activities, systemic shocks and natural disasters, etc.

2) Risk management policies on liquidity risk

The Bank's liquidity management processes, which are managed by an independent department, include:

a) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;

b) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

c) Monitoring the liquidity ratios against internal and regulatory requirements; and

d) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections respectively for the next ten days, one month, two months, etc., to, one year and over one year. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Related information is submitted regularly to the Bank's Asset and Liability Management Committee and the Board of Directors.

3) Financial assets held for liquidity risk management purposes

To support payment obligation and contingent funding in a stressed market environment, the Bank holds high-quality and highly-liquid interest-earning assets comprising cash and cash equivalent, due from the Central Bank and other banks, securities purchased under resale agreements and financial assets at FVTPL for which there is an active and liquid market and maintain legal ratio related to liquidity.

4) Maturity analysis of non-derivative financial liabilities

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the date of the balance sheet.

| December 31, 2019 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Due to the Central Bank and other banks | $ 4,673,023 | $ 3,862,327 | $ 2,601,780 | $ - | $ - | $ 11,137,130 |
| Securities sold under repurchase agreement | 1,694,986 | 8,015,035 | - | - | - | 9,710,021 |
| Payables | 2,960,691 | 1,317,082 | 830,816 | 526,540 | 929,071 | 6,564,200 |
| Deposits and remittances | 225,349,394 | 101,330,074 | 77,222,130 | 116,019,524 | 17,831,056 | 537,752,178 |
| Bank debentures | 1,900 | - | - | 4,000,000 | 21,000,000 | 25,001,900 |
| Principal received on structured products | 93,391 | 27,019 | 11,440 | 176,499 | 9,168,274 | 9,476,623 |
| Other financial liabilities | - | - | - | - | 253,896 | 253,896 |
| Lease liabilities | 32,431 | 71,572 | 94,212 | 182,525 | 624,643 | 1,005,383 |
| Total | $ 234,805,816 | $ 114,623,109 | $ 80,760,378 | $ 120,905,088 | $ 49,806,940 | $ 600,901,331 |

| December 31, 2018 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Due to the Central Bank and other banks | $ 8,751,791 | $ 5,532,147 | $ 1,382,985 | $ 59,800 | $ - | $ 15,726,723 |
| Securities sold under repurchase agreement | 14,704,830 | - | - | - | - | 14,704,830 |
| Payables | 3,972,687 | 1,254,123 | 672,467 | 619,621 | 668,832 | 7,187,730 |
| Deposits and remittances | 197,090,896 | 92,644,699 | 68,393,781 | 136,525,003 | 13,993,510 | 508,647,889 |
| Bank debentures | 1,900 | - | 3,000,000 | - | 15,000,000 | 18,001,900 |
| Principal received on structured products | 65,452 | 16,965 | 71,214 | - | 12,325,539 | 12,479,170 |
| Other financial liabilities | - | - | - | - | 170,780 | 170,780 |
| Total | $ 224,587,556 | $ 99,447,934 | $ 73,520,447 | $ 137,204,424 | $ 42,158,661 | $ 576,919,022 |

Note: The amounts disclosed in the tables are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the individual balance sheet.

In the maturity analysis of "deposits and remittance" disclosed in the above table, it is assumed that demand deposits are expected to be drawn down in the earliest period.

Maturity over one year analysis of lease liabilities was as follows:

| | Due Between 1 Year and 2 Years | Due Between 2 Years and 3 Years | Due After 3 Years | Total |
|---|---|---|---|---|
| Lease liabilities | $ 201,156 | $ 147,814 | $ 275,673 | $ 624,643 |

5) Maturity analysis of derivative financial liabilities

a) Derivative instruments settled on a net basis are include foreign exchange derivatives (foreign exchange options, non-deliverable forwards) and interest rate derivatives (interest rate swap options, interest rate swaps and other interest rate contracts settled on net cash flow). Maturity analysis of derivative financial liabilities that will be settled on a net basis is as follows:

| December 31, 2019 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at FVTPL | | | | | | |
| Foreign exchange derivatives | $ 1,665 | $ 66 | $ 1,081 | $ 712 | $ - | $ 3,524 |
| Interest rate derivatives | 451 | 4,281 | 3,821 | 11,858 | 710,300 | 730,711 |
| Total | $ 2,116 | $ 4,347 | $ 4,902 | $ 12,570 | $ 710,300 | $ 734,235 |

| December 31, 2018 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at FVTPL | | | | | | |
| Foreign exchange derivatives | $ 382 | $ 558 | $ 199 | $ - | $ - | $ 1,139 |
| Interest rate derivatives | 3,675 | 6,361 | 8,378 | 5,375 | 552,531 | 576,320 |
| Total | $ 4,057 | $ 6,919 | $ 8,577 | $ 5,375 | $ 552,531 | $ 577,459 |

Note: The amounts disclosed in the table are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the individual balance sheet.

b) Derivative instruments settled on a gross basis are include foreign exchange derivatives (foreign exchange swaps, foreign exchange options), interest rate derivatives (cross currency swaps) and credit derivatives (credit default swap). Maturity analysis of derivative financial liabilities that will be settled on a gross basis is as follows:

| December 31, 2019 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at FVTPL | | | | | | |
| Foreign exchange derivatives | | | | | | |
| Cash outflow | $ 50,467,841 | $ 80,755,420 | $ 58,693,412 | $ 34,752,640 | $ 1,523,574 | $ 226,192,887 |
| Cash inflow | 49,992,431 | 79,873,652 | 58,434,676 | 34,782,603 | 1,551,352 | 224,634,714 |
| Interest rate derivatives | | | | | | |
| Cash outflow | 1,845,060 | 3,088,100 | - | 1,829,300 | 905,600 | 7,668,060 |
| Cash inflow | 1,800,950 | 3,010,600 | - | 1,806,360 | 903,180 | 7,521,090 |
| Credit derivatives | | | | | | |
| Cash outflow | - | - | - | - | - | - |
| Cash inflow | - | 3,234 | 3,199 | 6,398 | 30,448 | 43,279 |
| Subtotal of cash outflow | 52,312,901 | 83,843,520 | 58,693,412 | 36,581,940 | 2,429,174 | 233,860,947 |
| Subtotal of cash inflow | 51,793,381 | 82,887,486 | 58,437,875 | 36,595,361 | 2,484,980 | 232,199,083 |
| Net cash flow | $ (519,520) | $ (956,034) | $ (255,537) | $ 13,421 | $ 55,806 | $ (1,661,864) |

| December 31, 2018 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at FVTPL | | | | | | |
| Foreign exchange derivatives | | | | | | |
| Cash outflow | $ 66,817,020 | $ 66,620,982 | $ 43,980,954 | $ 14,101,278 | $ 1,363,279 | $ 192,883,513 |
| Cash inflow | 66,388,975 | 66,181,803 | 43,707,316 | 14,043,361 | 1,386,102 | 191,707,557 |
| Interest rate derivatives | | | | | | |
| Cash outflow | 921,990 | - | - | - | 614,660 | 1,536,650 |
| Cash inflow | 903,800 | - | - | - | 603,750 | 1,507,550 |
| Credit derivatives | | | | | | |
| Cash outflow | - | - | - | - | - | - |
| Cash inflow | 3,299 | 20,218 | 28,563 | 45,507 | 292,691 | 390,278 |
| Subtotal of cash outflow | 67,739,010 | 66,620,982 | 43,980,954 | 14,101,278 | 1,977,939 | 194,420,163 |
| Subtotal of cash inflow | 67,296,074 | 66,202,021 | 43,735,879 | 14,088,868 | 2,282,543 | 193,605,385 |
| Net cash flow | $ (442,936) | $ (418,961) | $ (245,075) | $ (12,410) | $ 304,604 | $ (814,778) |

Note: The amounts disclosed in the table are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the individual balance sheet.

6) Maturity analysis of off-balance sheet items

Maturity analysis of the off-balance sheet items that are requested to pay or realize the guarantee on the basis of their earliest possible contractual maturity is as follows:

| December 31, 2019 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Developed and irrevocable loan commitments | $ 14,785,233 | $ - | $ - | $ - | $ - | $ 14,785,233 |
| Irrevocable credit card commitments | 188,007,163 | - | - | - | - | 188,007,163 |
| Issued but unused letters of credit | 829,694 | - | - | - | - | 829,694 |
| Other guarantees | 8,667,440 | 14,650,100 | 20,000 | - | 532,960 | 23,870,500 |
| Total | $ 212,289,530 | $ 14,650,100 | $ 20,000 | $ - | $ 532,960 | $ 227,492,590 |

| December 31, 2018 | Due in 30 Days | Due Between 31 Days and 90 Days | Due Between 91 Days and 180 Days | Due Between 181 Days and One Year | Due After One Year | Total |
|---|---|---|---|---|---|---|
| Developed and irrevocable loan commitments | $ 15,866,641 | $ - | $ - | $ - | $ - | $ 15,866,641 |
| Irrevocable credit card commitments | 179,890,598 | - | - | - | - | 179,890,598 |
| Issued but unused letters of credit | 671,317 | - | - | - | - | 671,317 |
| Other guarantees | 13,012,636 | 5,117,400 | 20,000 | - | 450,000 | 18,600,036 |
| Total | $ 209,441,192 | $ 5,117,400 | $ 20,000 | $ - | $ 450,000 | $ 215,028,592 |

e. Market risk

1) Definition and scope of market risk

Market risk is the risk that unfavorable changes in market prices, such as interest rates, foreign exchange rates, equity prices and commodity prices will affect the Bank's income or its holdings of on- and off-balance sheet positions. The Bank's market risk mainly comes from equity investment securities, interest rates and foreign exchange rates.

2) Management policies of market risk

The Bank develops appropriate management process to identify, measure and monitor market risk, and to effectively manage and control credit limits, valuation of profits and losses, sensitivity analysis and stress tests of each financial instrument position. Besides, the Bank takes appropriate management strategy while facing market risk in its daily operating activities and management processes.

The Bank separates its exposure to market risk in banking book and trading book, which are managed, monitored and disclosed by the Risk Management Department. A summary report, including suggestion, is submitted regularly to the Risk Management Committee and the Board of Directors.

3) Market risk management process

a) Recognition and measurement

The risk measurement system is identify the market risk factors of the exposure positions first, then measuring the risks assumed in on- and off-balance sheet trading positions by change in market risk factors (interest rates, stock price, foreign exchange rates and commodity price) etc. Risk measurement adds sensitivity analysis (DV01, Delta, Beta) etc. or situational analysis, to assess the changes in the value of the asset portfolio. And perform stress testing in accordance with the regulations of the administration, to measure abnormal losses under extreme conditions.

b) Monitoring and reporting

The Bank's Risk Management Department regularly reviews market risk management objective, positions and control of gain and loss, sensitivity analysis and pressure test and reports to the Risk Management Committee and the Board of Directors to well understand the situation of market risk control. The Bank has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management.

4) Management process of interest risk

Interest rate risk is the risk of loss or changes in the fair value resulting from interest rate or credit spread fluctuations. It includes interest rates or credit spread related to securities and derivative instruments.

The Bank separates the interest rate risk positions between trading book and banking book. Financial instruments and commodity positions held for trading purpose or to hedge against trading book positions are carried in trading book. Positions held for trading purpose are those held with the intention of profiting from actual or forecast spread. Positions not belonging to trading book are carried in banking book.

Management of interest rate risk in trading book

a) Management process

To limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions.

b) Valuation methods

Securities are marked-to-market, and the risk of interest rate related derivative instruments are measured using DV01 and Vega. Both stop loss limits are controlled on a daily basis.

Management of interest rate risk in banking book

Interest rate risk management of banking book is to improve interest risk management, capital efficiency and business operations.

a) Strategies

To improve its capacity to adapt to changes, the Bank measures, manages and hedges changes in its profits and losses and economic values of balance sheet items arising from interest rate fluctuations.

b) Management process

Prior to undertaking interest rates related business, the Bank identifies re-pricing and yield curve risks, and measures the possible impact of changes in interest rate on profits and losses. The Bank analyzes and monitors position limits and various risk management objectives in respect of interest rates on a quarterly basis, and the results are submitted regularly to the Asset and Liability Management Committee and the Board of Directors.

If the risk management objectives are found to be in excess of designated limits during the monitoring process, the Bank will report to the Asset and Liability Management Committee and propose remedial action to be taken.

c) Valuation methods

Interest rate risk measures the re-pricing risk arising from different maturity or re-pricing dates of assets and liabilities carried in the banking book. To stabilize long-term profitability taking into account business growth, the Bank sets up various monitoring indexes, such as the ratio of interest rate sensitivity gap over total assets, for key holding periods. Those indexes are reported to and reviewed by management periodically.

5) Management of foreign exchange risk

a) Definition of foreign exchange risk

Foreign exchange risk is the risk of loss or changes in fair value arising from open positions in currency due to exchange rate fluctuations. Foreign exchange transactions include spot exchange, forward exchange, non-deliverable forward and foreign currency option between New Taiwan dollars and a foreign currency or between two foreign currencies.

b) Foreign exchange risk management policies, process and valuation methods

To manage foreign exchange risk and limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions. Spot exchange, forward exchange, non-deliverable forward and foreign currency option are controlled collectively using Delta; foreign currency option is controlled using Vega. The stop loss limits are controlled on a daily basis.

c) Concentration of foreign exchange risk

Information on concentration of foreign currency exposures at the balance sheet date is shown in Note 40.

6) Management of equity securities market risk

a) Definition of equity market risk

Equity market risk is the risk arising from open positions in equity securities as a result of fluctuations in the market prices of individual securities.

b) Management processes of equity market risk

The Bank sets gross limits on overall positions, by industries, and by groups. For stock listed on TWSE and TPEx and beneficiary certificates, the Bank sets the limit of investment in each stock and stop loss/gain limits on overall and particular positions, which are monitored daily.

A stop loss/gain order would be executed once a given stop price has been reached; otherwise, traders should report to the manager of its department, including reasons for not executing stop loss/gain order.

c) Measurement

The Bank manages market risk on the basis of closing prices of equity securities.

7) Valuation techniques of market risk

a) Stress tests

Stress tests are performed by the Risk Management Department at least once a year to assess the impact of risk factors that have become extremely volatile on asset portfolios and risk tolerance, and to ensure that the Bank will be able to handle potential losses incurred during extreme, but plausible, events.

The Bank applies market risk factors sensitivity analysis to analyze the impact on asset that could arise under extreme scenarios:

i. Interest rate: Evaluate impacts on the values of interest-rate-based securities if yield curves move in parallel manner.

ii. Foreign exchange: Evaluate impacts on changes in foreign exchange rates.

iii. Equity securities: Evaluate impacts on volatility of changes in stock prices and its related derivatives.

iv. Commodity: Evaluate impacts on volatility of changes in commodity prices and its related derivatives.

The Bank will submit the results of stress tests to the Risk Management Committee and the Board of Directors as a reference of the Bank's ability to counter adverse economic conditions.

b) Sensitivity analysis

i. Interest rate sensitivity

Interest rate factor sensitivity ("DV01" or "PVBP") measured at the balance sheet date is the impact on the discounted future cash flows of bonds and interest-rate-based derivative instruments for 1 basis points ("bps") parallel shift in all yield curves or credit spread.

Assuming all other variables remain constant, where the interest rate increases/decreases by 1 bps, there would be a decrease of $8,070 thousand and an increase of $5,846 thousand in income before income tax for the year ended December 31, 2019. There would be a decrease of $10,472 thousand and an increase of $10,462 thousand in income before income tax for the year ended December 31, 2018. There would be a decrease/increase of $16,886 thousand and $18,572 thousand in other comprehensive income for the years ended December 31, 2019 and 2018, respectively.

ii. Foreign exchange sensitivity

Foreign exchange rate factor sensitivity ("FX Delta") measured at the balance sheet date is the impact on the values of foreign exchange positions for a 1% change in foreign exchange rates.

Where the foreign exchange increases/decreases by 1%, assuming all other variables remain constant, there would be an increase/decrease of $158,276 thousand and $169,021 thousand in income before income tax for the years ended December 31, 2019 and 2018, respectively.

iii. Equity securities market risk

Equity securities market factor sensitivity measured at the balance sheet date is the impact on the values of open positions in equity securities for a 1% change in stock market prices.

Where the securities prices increases/decreases by 1%, assuming all other variables remain constant, there would be an increase/decrease of $13,804 thousand and $6,085 thousand in income before income tax for the years ended December 31, 2019 and 2018 respectively. There would be an increase/decrease of $12,081 thousand and $12,658 thousand in other comprehensive income for the years ended December 31, 2019 and 2018, respectively.

f. Transfer of financial assets

In the daily transactions of the Bank, most of the transferred financial assets not eligible for derecognition in full are bonds under repurchase agreement. The cash flows of those financial assets have been transferred to outsiders. The Bank is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period. However, the Bank is still exposed to interest rate risks and credit risks. As a result, the transferred financial assets are not derecognized. The liabilities of repurchasing the transferred financial assets in an agreed amount have been recognized. The following tables show the transferred financial assets not eligible for derecognition in full and related amounts.

| Types of Financial Assets | Book Value of Transferred Financial Assets | Book Value of Related Financial Liabilities | Fair Value of Transferred Financial Assets | Fair Value of Related Financial Liabilities | Net Position of Fair Value |
|---|---|---|---|---|---|
| FVTOCI - transactions under repurchase agreements | | | | | |
| December 31, 2019 | $ 10,281,012 | $ 9,675,529 | $ 10,281,012 | $ 9,675,529 | $ 605,483 |
| December 31, 2018 | 15,447,755 | 14,665,794 | 15,447,755 | 14,665,794 | 781,961 |

g. Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality of loans

Nonperforming loans and nonperforming receivables of the Bank

| Item / Business | | | December 31, 2019 | | | | |
|---|---|---|---|---|---|---|---|
| | | | Nonperforming Loans (Note a) | Loans | Ratio of Nonperforming Loans (Note b) | Allowance for Possible Losses | Coverage Ratio (Note c) |
| Corporate Banking | Secured | | $ 321,175 | $ 50,905,884 | 0.63% | $ 623,563 | 194.15% |
| | Unsecured | | 257,292 | 112,077,713 | 0.23% | 1,695,501 | 658.98% |
| Consumer Banking | Residential mortgage (Note d) | | 171,960 | 127,954,177 | 0.13% | 2,006,846 | 1,167.04% |
| | Cash card | | - | - | - | - | - |
| | Small-scale credit loan (Note e) | | 261,439 | 24,253,951 | 1.08% | 435,824 | 166.70% |
| | Others (Note f) | Secured | 74,846 | 69,266,784 | 0.11% | 744,703 | 994.98% |
| | | Unsecured | 1,136 | 5,741,919 | 0.02% | 69,174 | 6,089.26% |
| Total | | | 1,087,848 | 390,200,428 | 0.28% | 5,575,611 | 512.54% |
| Item / Business | | | Nonperforming Receivables | Accounts Receivable | Ratio of Nonperforming Receivables | Allowance for Possible Losses | Coverage Ratio |
| Credit card | | | 45,664 | 14,857,103 | 0.31% | 411,420 | 900.97% |
| Accounts receivable factored without recourse (Note g) | | | - | 3,579,407 | - | 27,053 | - |

| Business \ Item | | | December 31, 2018 | | | | |
|---|---|---|---|---|---|---|---|
| | | | Nonperforming Loans (Note a) | Loans | Ratio of Nonperforming Loans (Note b) | Allowance for Possible Losses | Coverage Ratio (Note c) |
| Corporate Banking | Secured | | $ 399,735 | $ 55,072,485 | 0.73% | $ 771,445 | 192.99% |
| | Unsecured | | 26,210 | 109,101,455 | 0.02% | 1,307,531 | 4,988.67% |
| Consumer Banking | Residential mortgage (Note d) | | 175,415 | 123,690,577 | 0.14% | 1,950,925 | 1,112.18% |
| | Cash card | | - | - | - | - | - |
| | Small-scale credit loan (Note e) | | 229,975 | 22,122,691 | 1.04% | 390,942 | 169.99% |
| | Others (Note f) | Secured | 78,062 | 69,335,436 | 0.11% | 744,497 | 953.73% |
| | | Unsecured | 2,941 | 5,600,373 | 0.05% | 69,559 | 2,365.15% |
| Total | | | 912,338 | 384,923,017 | 0.24% | 5,234,899 | 573.79% |
| Business \ Item | | | Nonperforming Receivables | Accounts Receivable | Ratio of Nonperforming Receivables | Allowance for Possible Losses | Coverage Ratio |
| Credit card | | | 42,987 | 14,417,111 | 0.30% | 432,188 | 1,005.39% |
| Accounts receivable factored without recourse (Note g) | | | - | 2,769,097 | - | 31,690 | - |

Note a: Nonperforming credit cards receivables represent the amounts of nonperforming receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note b: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming credit cards receivables: Nonperforming credit cards receivables ÷ Outstanding credit cards receivables balance.

Note c: Coverage ratio of allowance for possible losses for loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of allowance for possible losses for credit cards receivables: Allowance for possible losses for credit cards receivables ÷ Nonperforming credit cards receivables.

Note d: Residential mortgage is a loan given to the borrower who provides a house, to be purchased (or already owned) by the borrower or the spouse or the minor children of the borrower, as a mortgage to the Bank and will use the loan for house purchase or refurbishment.

Note e: Small-scale credit loans refer to the loans under the Banking Bureau's regulation, dated December 19, 2005 (Ref. No. 09440010950), but excluding small-scale unsecured loans obtained through credit cards and cash cards.

Note f: Other loans of consumer banking refer to secured or unsecured loans, excluding residential mortgage, cash card, small-scale credit loans and credit card.

Note g: As required by the Banking Bureau's letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as nonperforming receivables in three months upon the factors' or insurance companies' rejection of claims.

Nonperforming loans and nonperforming receivables excluded from the information stated above

| Item / Business | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Nonperforming Loans Excluded | Nonperforming Receivables Excluded | Nonperforming Loans Excluded | Nonperforming Receivables Excluded |
| Loans not classified as NPL upon debt restructuring and performed as agreed (Note a) | $ 44,549 | $ 133,433 | $ 64,037 | $ 184,939 |
| Loans upon performance of a debt discharge program and rehabilitation program (Note b) | 901,221 | 962,485 | 791,658 | 1,005,612 |
| Total | 945,770 | 1,095,918 | 855,695 | 1,190,551 |

Note a: Supplementary disclosure related to the loans which need not be classified as NPL upon debt restructuring and performed as agreed, as stipulated in the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note b: About the Bank disclosures information and enumerates credit for case of pre-negotiation, pre-mediation, debt settlement proceedings and liquidation under Statute for Consumer Debt Clearance, as stipulated in the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and dates September 20, 2016 (Ref. No. 10500134790).

2) Concentration of credit extensions

| Ranking (Note a) | December 31, 2019 | | |
|---|---|---|---|
| | Group Entity (Note b) Industry and Code (Note a) | Total Balances of Credit Extensions (Note c) | Ratio of Credit Extensions to Net Worth (%) |
| 1 | A Group - 6700 - real estate development | $ 12,256,000 | 26 |
| 2 | B Group - 6499 - non-categorized and other financial services | 4,419,750 | 9 |
| 3 | C Group - 1111 - Spinning of yarn, cotton and wool | 4,028,754 | 9 |
| 4 | D Group - 6496 - private financing industry | 3,865,629 | 8 |
| 5 | E Group - 4841 - retail of motor vehicles | 3,817,165 | 8 |
| 6 | F Group - 2630 - bare Printed Circuit Boards Manufacturing | 3,332,026 | 7 |
| 7 | G Group - 6491 - financial leasing industry | 3,100,042 | 7 |
| 8 | H Group - 3510 - electricity transmission and distribution enterprise | 2,832,767 | 6 |
| 9 | I Group - 4210 - road engineering | 2,600,359 | 5 |
| 10 | J Group - 6700 - real estate development | 2,600,010 | 5 |

| Ranking (Note a) | December 31, 2018 | | |
|---|---|---|---|
| | Group Entity (Note b) Industry and Code (Note a) | Total Balances of Credit Extensions (Note c) | Ratio of Credit Extensions to Net Worth (%) |
| 1 | A Group - 6700 - real estate development | $ 9,501,000 | 21 |
| 2 | B Group - 6499 - non-categorized and other financial services | 3,831,176 | 9 |
| 3 | D Group - 6496 - private financing industry | 3,725,413 | 8 |
| 4 | E Group - 4841 - retail of motor vehicles | 3,027,281 | 7 |
| 5 | J Group - 6700 - real estate development | 2,971,350 | 7 |
| 6 | I Group - 4210 - road engineering | 2,820,240 | 6 |
| 7 | K Group - 5260 - air transportation assistance | 2,815,985 | 6 |
| 8 | C Group - 2411 - smelting and refining of iron and steel | 2,469,000 | 6 |
| 9 | F Group - 2630 - bare Printed Circuit Boards Manufacturing | 2,225,583 | 5 |
| 10 | L Group - 2859 - other household appliances manufacturing | 2,161,075 | 5 |

Note a: The rankings above represent the top 10 corporate entities except for government or state-owned enterprises, based on the total balance of credit extension granted by the Bank. The amount of credit extensions should be disclosed in aggregate for each group entity, the code and industry of which are also required. The industry of the group entities is designated as the industry of the individual group entity with the greatest risk exposure. The lines of industry should conform to the industry sub-categorization of the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note b: "Group Entity" is defined in Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note c: Credit extension balance includes various loans (import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans; and nonaccrual loans), bills purchased, factored accounts receivable without recourse, acceptances and guarantees.

3) Interest rate sensitivity

Table 1: For New Taiwan dollar items

**Interest Rate Sensitivity Analysis**
**December 31, 2019**

| Items | 1 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year | Total |
|---|---|---|---|---|---|
| Interest rate-sensitive assets | $ 293,639,973 | $ 155,543,117 | $ 6,367,359 | $ 40,261,588 | $ 495,812,037 |
| Interest rate-sensitive liabilities | 181,067,999 | 174,602,478 | 86,545,266 | 25,587,610 | 467,803,353 |
| Interest rate sensitivity gap | 112,571,974 | (19,059,361 ) | (80,177,907 ) | 14,673,978 | 28,008,684 |
| Net worth | | | | | 47,284,413 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 105.99% |
| Ratio of interest rate-sensitivity gap to net worth | | | | | 59.23% |

**Interest Rate Sensitivity Analysis**
**December 31, 2018**

| Items | 1 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year | Total |
|---|---|---|---|---|---|
| Interest rate-sensitive assets | $ 290,024,783 | $ 146,052,263 | $ 5,650,758 | $ 30,665,306 | $ 472,393,110 |
| Interest rate-sensitive liabilities | 152,122,187 | 152,884,130 | 102,738,671 | 18,929,935 | 426,674,923 |
| Interest rate sensitivity gap | 137,902,596 | (6,831,867) | (97,087,913) | 11,735,371 | 45,718,187 |
| Net worth | | | | | 44,744,740 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 110.71% |
| Ratio of interest rate-sensitivity gap to net worth | | | | | 102.18% |

Note a: The New Taiwan dollar amounts held by the Bank.

Note b: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

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

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

Table 2: For U.S. dollar items

**Interest Rate Sensitivity Analysis**
**December 31, 2019**

**(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 rate-sensitive assets | $ 2,758,096 | $ 167,878 | $ 58,942 | $ 43,264 | $ 3,028,180 |
| Interest rate-sensitive liabilities | 2,112,017 | 1,102,300 | 295,972 | - | 3,510,289 |
| Interest rate sensitivity gap | 646,079 | (934,422) | (237,030) | 43,264 | (482,109) |
| Net worth | | | | | 1,570,598 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 86.27% |
| Ratio of interest rate-sensitivity gap to net worth | | | | | (30.70%) |

**Interest Rate Sensitivity Analysis**
**December 31, 2018**

**(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 rate-sensitive assets | $ 2,920,039 | $ 202,692 | $ 35,945 | $ 99,853 | $ 3,258,529 |
| Interest rate-sensitive liabilities | 2,483,940 | 1,112,830 | 159,579 | - | 3,756,349 |
| Interest rate sensitivity gap | 436,099 | (910,138) | (123,634) | 99,853 | (497,820) |
| Net worth | | | | | 1,455,918 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 86.75% |
| Ratio of interest rate-sensitivity gap to net worth | | | | | (34.19%) |

Note a: The total U.S. dollar amounts held by the Bank, excluding contingent assets and liabilities.

Note b: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

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

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

4) Profitability

| Items | | For the Year Ended December 31, 2019 | For the Year Ended December 31, 2018 |
|---|---|---|---|
| Return on total assets | Before tax | 0.66% | 0.67% |
| | After tax | 0.57% | 0.59% |
| Return on equity | Before tax | 9.14% | 9.25% |
| | After tax | 7.89% | 8.05% |
| Net income ratio | | 32.06% | 32.22% |

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

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

Note c: Net income ratio = Income after income tax ÷ Total net profit.

5) Maturity analysis of assets and liabilities

a) For New Taiwan dollar items

**December 31, 2019**

| | Total | Amount for Remaining Period to Maturity | | | | | |
|---|---|---|---|---|---|---|---|
| | | 0 to 10 Days | 11 to 30 Days | 31 Days to 90 Days | 91 Days to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | $ 663,480,803 | $ 121,026,089 | $ 66,894,523 | $ 111,522,829 | $ 49,508,634 | $ 59,985,930 | $ 254,542,798 |
| Main capital outflow on maturity | 806,062,108 | 48,773,874 | 72,871,353 | 164,557,038 | 159,322,007 | 171,115,580 | 189,422,256 |
| Gap | (142,581,305) | 72,252,215 | (5,976,830) | (53,034,209) | (109,813,373) | (111,129,650) | 65,120,542 |

**December 31, 2018**

| | Total | Amount for Remaining Period to Maturity | | | | | |
|---|---|---|---|---|---|---|---|
| | | 0 to 10 Days | 11 to 30 Days | 31 Days to 90 Days | 91 Days to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | $ 657,048,134 | $ 108,223,432 | $ 83,033,715 | $ 99,353,166 | $ 67,996,227 | $ 60,087,823 | $ 238,353,771 |
| Main capital outflow on maturity | 793,951,803 | 46,921,837 | 80,819,341 | 163,285,185 | 146,268,581 | 190,698,533 | 165,958,326 |
| Gap | (136,903,669) | 61,301,595 | 2,214,374 | (63,932,019) | (78,272,354) | (130,610,710) | 72,395,445 |

Note: This table refers to the New Taiwan dollar amounts held by the Bank.

b) For U.S. dollar items

**December 31, 2019**

**(In Thousands of U.S. Dollars)**

| | Total | Amount for Remaining Period to Maturity | | | | |
|---|---|---|---|---|---|---|
| | | 1 to 30 Days | 31 Days to 90 Days | 91 Days to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | $ 9,006,380 | $ 2,523,001 | $ 2,305,104 | $ 1,294,458 | $ 942,218 | $ 1,941,599 |
| Main capital outflow on maturity | 9,880,760 | 3,187,676 | 3,810,174 | 843,210 | 997,182 | 1,042,518 |
| Gap | (874,380) | (664,675) | (1,505,070) | 451,248 | (54,964) | 899,081 |

**December 31, 2018**

**(In Thousands of U.S. Dollars)**

| | Total | Amount for Remaining Period to Maturity | | | | |
|---|---|---|---|---|---|---|
| | | 1 to 30 Days | 31 Days to 90 Days | 91 Days to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | $ 10,744,093 | $ 4,099,117 | $ 2,644,604 | $ 1,443,831 | $ 567,614 | $ 1,988,927 |
| Main capital outflow on maturity | 11,435,866 | 5,053,597 | 3,122,668 | 1,643,749 | 747,525 | 868,327 |
| Gap | (691,773) | (954,480) | (478,064) | (199,918) | (179,911) | 1,120,600 |

Note: This table refers to the U.S. dollar amounts held by the Bank.

## 43. CAPITAL MANAGEMENT

a. Objective of capital management

1) Unconsolidated regulatory capital and the consolidated regulatory capital should meet the requirements of the related regulations. The basic goal of the Bank's capital management is to meet the minimum ratio of regulatory capital and risk assets (the "capital adequacy ratio") according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks" enacted based on the "Banking law."

2) In order to maintain an adequate level of capital to bear various risks, the Bank makes capital planning based on the operating plans and budget, the development strategies, dividend policy and stress tests and forecasts of capital adequacy which are approved by the Board of Directors. The objective is to optimize assets allocation and strengthen capital structure.

b. Procedure of capital management

1) The calculation of the Bank's capital adequacy ratio is based on the "Regulations Governing the Capital Adequacy and Capital Category of Banks" enacted by the Financial Supervisory Commission and the related information is reported to the competent authority on a regular basis.

2) In order to monitor capital adequacy ratio, the execution and changes in the parameters of the capital planning are reviewed quarterly by the Bank's Assets and Liabilities Management Committee. The committee assesses whether the Bank's capital is able to respond to various risks and whether the objective of capital management is met.

The calculations of regulatory capital, risk-weighted assets and capital adequacy ratio were as follows:

| | | | December 31, 2019 | |
|---|---|---|---|---|
| | | | Unconsolidated | Consolidated |
| Regulatory capital | Common equity | | $ 43,803,077 | $ 44,327,124 |
| | Additional Tier I capital | | 1,909,528 | 2,441,893 |
| | Tier II capital | | 10,844,574 | 11,940,847 |
| | Total common capital | | 56,557,179 | 58,709,864 |
| Risk-weighted assets | Credit risk | Standardized approach | 380,798,943 | 383,322,495 |
| | | Internal rating-based approach | - | - |
| | | Asset securitization | 873,284 | 873,284 |
| | Operational risk | Basic indicator approach | 19,809,625 | 20,256,763 |
| | | Standardized approach/alternative standardized approach | - | - |
| | | Advanced measurement approach | - | - |
| | Market risk | Standardized approach | 14,451,488 | 14,451,488 |
| | | Internal models approach | - | - |
| | Total risk-weighted assets | | 415,933,340 | 418,904,030 |
| Capital adequacy ratio | | | 13.60% | 14.02% |
| Ratio of common equity to risk-weighted assets | | | 10.53% | 10.58% |
| Ratio of Tier I capital to risk-weighted assets | | | 10.99% | 11.16% |
| Leverage ratio | | | 6.11% | 6.24% |

| | | | December 31, 2018 | |
|---|---|---|---|---|
| | | | Unconsolidated | Consolidated |
| Regulatory capital | Common equity | | $ 41,848,384 | $ 42,076,829 |
| | Additional Tier I capital | | 2,193,441 | 2,448,097 |
| | Tier II capital | | 9,014,910 | 9,544,444 |
| | Total common capital | | 53,056,735 | 54,069,370 |
| Risk-weighted assets | Credit risk | Standardized approach | 367,484,931 | 369,490,534 |
| | | Internal rating-based approach | - | - |
| | | Asset securitization | 215,318 | 215,318 |
| | Operational risk | Basic indicator approach | 19,200,700 | 19,686,600 |
| | | Standardized approach/alternative standardized approach | - | - |
| | | Advanced measurement approach | - | - |
| | Market risk | Standardized approach | 11,098,400 | 11,098,400 |
| | | Internal models approach | - | - |
| | Total risk-weighted assets | | 397,999,349 | 400,490,852 |
| Capital adequacy ratio | | | 13.33% | 13.50% |
| Ratio of common equity to risk-weighted assets | | | 10.51% | 10.51% |
| Ratio of Tier I capital to risk-weighted assets | | | 11.07% | 11.12% |
| Leverage ratio | | | 6.14% | 6.19% |

Note a: Regulatory capital, risk-weighted assets and exposure measurement are calculated under the "Regulations Governing the Capital Adequacy and capital category of Banks" and the "The Methods for Calculating the Bank's regulatory Capital and Risk-weighted Assets" amended by the FSC on November 16, 2017.

Note b: An annual report should include both the current year's and prior year's capital adequacy ratio, but a semiannual report should include the capital adequacy ratio of the most recent year.

Note c: Formulas used were as follows:

1) Regulatory capital = Common equity + Additional Tier I capital + Tier II capital.

2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk and market risk) × 12.5.

3) Capital adequacy ratio = Regulatory capital/Total risk-weighted assets.

4) Ratio of Common equity to risk-weighted assets = Common equity/Total risk-weighted assets.

5) Ratio of Tier I capital to risk-weighted assets = (Common equity + Additional Tier I capital)/Total risk-weighted assets.

6) Leverage ratio = Net Tier I capital/Exposure measurement.

## 44. SEGMENT INFORMATION

According to the Article 23 of "Regulations Governing the Preparation of Financial Reports by Public Banks", the Bank does not prepare the segment information of IFRS 8.

## 45. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

1) Marketable securities acquired and disposed of at cost or prices at least NT$300 million or 10% of the paid-in capital: Table 1 (attached)

2) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the paid-in capital: Nil

3) Disposal of individual real estate at prices of at least NT$300 million or 10% of the paid-in capital: Nil

4) Service charge discounts on transactions with related parties in aggregated amount of at least NT$5 million: Nil

5) Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: Nil

6) Sale of nonperforming loans: Nil

7) The type and related information of any securitization product that has been approved in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act: Nil

8) Intercompany relationships and significant intercompany transactions: Nil

9) Other significant transactions which may have effects on decision making of financial statement users: Nil

b. Information of subsidiaries' financings provided, endorsement/guarantee provided, marketable securities held, marketable securities acquired and disposed of at cost or prices at least NT$300 million or 10% of the paid-in capital and derivative transactions: Table 1,2 and Table 3 (attached)

c. Related information of investees on which the Bank exercises significant influence: Table 4 (attached)

d. Information about branches and investments in mainland China: Table 5 (attached)

## FAR EASTERN INTERNATIONAL BANK LTD.

**MARKETABLE SECURITIES OR INVESTEE INVESTMENT ACQUIRED AND DISPOSED OF, AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars)**

| Trading Company | Name | Financial Statement Account | Counterparty | Relationship | Beginning | | Buy | | Sell | | | | Ending | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares (In Thousands) | Amount | Shares (In Thousands) | Amount (Note) | Shares (In Thousands) | Price | Book Value | Disposal of Profit and Loss | Shares (In Thousands) | Amount |
| Far Eastern International Bank Ltd. | Far Eastern Asset Management Co., Ltd. | Equity investments under the equity method | - | Subsidiary of the Bank | 68,400 | $ 683,922 | 100,000 | $ 1,003,968 | - | $ - | $ - | $ - | 168,400 | $ 1,687,890 |
| Far Eastern Asset Management Co., Ltd. | FEIB Financial Leasing Co., Ltd. | Equity investments under the equity method | - | Subsidiary of FEAMC | - | 306,040 | - | 614,346 | - | - | - | - | - | 920,386 |

Note: The acquisition amount includes capital increase, current investment gain, cash dividends received by current and exchange differences on translating foreign operations, etc.

TABLE 2

## FAR EASTERN INTERNATIONAL BANK LTD.

**SUBSIDIARIES' FINANCING PROVIDED TO OTHERS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, In Thousand Shares)**

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing (Note 2) | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 3) | Aggregate Financing Limit (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | FEIB Financial Leasing Co., Ltd. | A company | Other receivables | No | $ 21,610 | $ 21,610 | $ 19,449 | 6%-10% | a | $ 895 | - | $ 194 | Real estate | $ 32,609 | $ 920,386 | $ 920,386 |

Note 1: No. column is coded as follows:

a. The Issuer is coded "0".
b. The investees are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The nature of financing is described as follows:

a. Business transaction is coded "1".
b. Short-term financing is coded "2".

Note 3: The limits on financing are as follows:

a. Financing limit for each borrower

1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

2) In the case of lending funds to the companies or firms in need of short-term financing, the total lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

b. Aggregate financing limit

1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total accumulation lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

2) In the case of lending funds to the companies or firms in need of short-term financing, the total accumulation lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

## FAR EASTERN INTERNATIONAL BANK LTD.

**INFORMATION OF SUBSIDIARIES' GUARANTEE PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, In Thousand Shares)**

| No. (Note 1) | Company Providing Endorsements/Guarantees | Receiving Party | | Limits on Endorsements/ Guarantees Amount Provided to Each Entity (Note 3) | Maximum Balance for the Period | Ending Balance | Drawdown Amounts | Amount of Endorsements/ Guarantees Collateralized by Property | Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Most Current Financial Statement (%) | Maximum Endorsements/ Guarantees Amount Allowable (Note 3) | Guarantee Provided by Parent Company | Guarantee Provided by A Subsidiary | Guarantee Provided to Subsidiaries in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Nature of Relationship (Note 2) | | | | | | | | | | | |
| 1 | Far Eastern Asset Management Co., Ltd. | FEIB Financial Leasing Co., Ltd. | b | $ 9,203,862 (US$ 300,000 thousand) | $ 69,152 | $ 69,152 | $ - | $ - | 0.41 | $ 16,878,903 | N | N | Y | |

Note 1: No. column is coded as follows:

a. The Issuer is coded "0".
b. The investees are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: No. column is coded as follows:

a. A company with which it does business.
b. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
c. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
d. Companies hold, directly or indirectly, 90% or more of the voting shares for each other.
e. Where a company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
f. Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
g. Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the FEAMC's "Regulations of Endorsements/Guarantees", the limit of amount of its endorsements/guarantees for any single subsidiaries is 10 times of the total amount invested in this subsidiaries, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the company.

TABLE 4

## FAR EASTERN INTERNATIONAL BANK LTD.

**RELATED INFORMATION OF INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars)**

| Investee Company | Location | Main Business and Product | Percentage of Ownership (%) | Carrying Amount | Investment Income (Loss) Recognized | The Proportionate Share of the Bank, Its Subsidiaries and Their Affiliates in Investees | | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Present Shares (In Thousands) | Pro Forma Shares | Total | | |
| | | | | | | | | Shares (In Thousands) | Percentage of Ownership (%) | |
| Held by the Bank | | | | | | | | | | |
| Financial business | | | | | | | | | | |
| Deutsche Far Eastern Asset Management Co., Ltd. | 7F, No. 207 Dun Hwa South Road, Sec. 2, Taipei, Taiwan | Securities investment trust funds | 40.00 | $ 113,133 | $ 4,299 | 12,000 | - | 12,000 | 40.00 | |
| Dah Chung Bills Finance Corp. | 4F, 4F-1, 4F-2, 4F-3, Np. 88 Dun Hwa North Road, Taipei, Taiwan | Underwriting, dealing and brokering of short-term bills | 22.06 | 1,699,389 | 98,286 | 99,440 | - | 99,440 | 22.07 | |
| Far Eastern Asset Management Co., Ltd. | Room B, 17F, No. 207, Dun Hwa South Road, Sec. 2, Taipei, Taiwan | Purchase, evaluation, auction and management of creditor's rights to financial institutions | 100.00 | 1,687,890 | 64,562 | 168,400 | - | 168,400 | 100.00 | |
| Far Eastern International Securities Co., Ltd. | 51F, No. 7, Xinyi Road, Sec. 5, Taipei, Taiwan | Foreign securities broker, wealth management and offshore fund consulting | 100.00 | 441,568 | 106,884 | 23,000 | - | 23,000 | 100.00 | |
| Taipei Foreign Exchange Agency Co., Ltd. | 8F., No. 400, Bade Road, Sec. 2, Taipei, Taiwan | Foreign exchange, cross-currency swaps, etc. | 0.40 | 3,969 | - | 80 | - | 80 | 0.40 | |
| Sunshine Asset Management Co., Ltd. | 15F., No. 218, Dun Hwa South Road, Sec. 2, Taipei, Taiwan | Management of creditor's rights and rendering of commercial detective services | 3.46 | 2,807 | - | 207 | - | 207 | 3.46 | |
| Financial Information Service Co., Ltd. | No. 81, Kangning Road, Sec. 3, Taipei, Taiwan | Data processing service and electronic information supply | 1.14 | 291,069 | - | 5,938 | - | 5,938 | 1.14 | |
| Yuan Hsin Digital Payment Co., Ltd. | Room A, 5F., No. 1, Yuandong Road, Banqiao Dist., New Taipei City, Taiwan | Issuing electronic tickets and signing contracted institutions | 4.99 | 17,442 | - | 3,876 | - | 3,876 | 4.99 | |
| Nonfinancial business | | | | | | | | | | |
| An Feng Enterprise Co., Ltd. | 3F., No. 139, Jhengjhou Road, Taipei, Taiwan | ATM maintenance, replacement and repair | 10.00 | 4,464 | - | 300 | - | 300 | 10.00 | |
| Held by Far Eastern Asset Management Co., Ltd. | | | | | | | | | | |
| Financial business | | | | | | | | | | |
| FEIB Financial Leasing Co., Ltd. | Room 2806, Tower 1, Grand Gateway 66, No.1 Hong Qiao Road, Xuhui District, Shanghai, China | Leasing operation | 100.00 | 920,386 | 47,049 | N/A | - | N/A | 100.00 | |

## FAR EASTERN INTERNATIONAL BANK LTD.

**INVESTMENT IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company Name | Main Business and Product | Total Paid-in Capital (Note 4) | Investment Type (Note 1) | Accumulated Outflow of Investment as of December 31, 2018 | Investment Flow (Note 4) | | Accumulated Outflow of Investment as of December 31, 2019 (Note 4) | Net Income (Loss) of Investee (Note 5) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 2 and 5) | Carrying Value as of December 31, 2019 (Note 2) | Accumulated Inward Remittance of Earnings as of December 31, 2019 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| FEIB Financial Leasing Co., Ltd. | Leasing operation | $ 920,470 (US$ 30,000 thousand) | a | $ 305,110 (US$ 10,000 thousand) | $ 615,360 (US$ 20,000 thousand) | $ - | $ 920,470 (US$ 30,000 thousand) | $ 47,049 (CNY 10,538 thousand) | 100% | $ 47,049 (CNY 10,538 thousand) | $ 920,386 | $ - | |

| Accumulated Investment in Mainland China as of December 31, 2019 (Note 4) | Investment Amount Authorized by Investment Commission, MOEA (Note 4) | Limit on Investment Authorized by Investment Commission MOEA (Note 3) |
|---|---|---|
| $920,470 (US$30,000 thousand) | $920,470 (US$30,000 thousand) | $1,012,734 |

Note 1: Routes of investment in Mainland China are listed below:

a. Direct investment.
b. Investment via third place company (state third place investment company).
c. Others.

Note 2: Calculation based on investee company's financial statements audited by a local CPA and covering the same reporting period as that of Far Eastern International Bank.

Note 3: Under the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" announced by Investment Commission, MOEA, upper limit is calculated by applicant company - Far Eastern Asset Management Co., Ltd.

Note 4: Calculated using the exchange rate at remittance date.

Note 5: Calculated using the average exchange rate for the year ended 2019.

遠東國際商業銀行

Far Eastern Int'l Bank

董事長：

遠東集團
FAR EASTERN GROUP

遠東國際商業銀行
Far Eastern Int'l Bank

台北市敦化南路二段207號26.27樓
26.27/F 207 Tun Hwa S.Road,Sec.2,Taipei
Tel:(02)2378-6868 Fax:(02)2377-9000
Swift Code： FEINTWTP
https://www.feib.com.tw