Far Eastern International Bank Ltd. and Subsidiaries

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

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
110016 台北市信義區松仁路100號20樓

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

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

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Far Eastern International Bank Ltd. and its subsidiaries as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Far Eastern International Bank Ltd. and its subsidiaries as of September 30, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chun-Hung Chen and Yin-Chou Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 9, 2021

<u>*Notice to Readers*</u>

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

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
ASSETS						
Cash and cash equivalents (Note 6)	$ 6,713,097	1	$ 6,409,009	1	$ 6,241,895	1
Due from the Central Bank and other banks (Notes 7, 38 and 39)	46,113,919	7	35,137,822	5	38,955,694	6
Financial assets at fair value through profit or loss (Notes 8, 38 and 43)	33,165,285	5	31,757,436	5	32,920,889	5
Financial assets at fair value through other comprehensive income (Notes 9, 11, 21, 28, 39, 43 and 44)	147,792,861	21	177,659,673	26	148,098,669	22
Investment in debt instruments at amortized cost, net (Notes 10, 11 and 43)	498,629	-	1,077,764	-	1,884,531	-
Securities purchased under resale agreements, net (Note 12)	8,319,247	1	10,960,705	2	6,242,852	1
Receivables, net (Notes 13, 38 and 44)	22,346,005	3	21,544,213	3	20,669,382	3
Discounts and loans, net (Notes 14, 38 and 44)	427,370,009	61	383,192,769	56	400,260,976	60
Investment accounted for using equity method (Notes 15 and 28)	1,957,761	-	1,911,929	-	1,873,937	-
Other financial assets, net (Notes 16 and 39)	3,773,847	1	4,654,802	1	4,900,788	1
Property and equipment, net (Note 17)	2,961,277	-	2,984,953	1	2,977,280	1
Right-of-use assets, net (Note 18)	1,053,395	-	825,209	-	878,561	-
Intangible assets, net (Note 19)	1,629,524	-	1,648,636	-	1,655,007	-
Deferred tax assets (Notes 4 and 36)	188,152	-	212,925	-	336,712	-
Other assets	265,575	-	313,111	-	304,158	-
TOTAL	$ 704,148,583	100	$ 680,290,956	100	$ 668,201,331	100
LIABILITIES AND EQUITY						
LIABILITIES						
Due to the Central Bank and other banks (Notes 20 and 44)	$ 928,802	-	$ 984,839	-	$ 2,978,638	1
Funds borrowed from the Central Bank and other banks (Notes 44 and 46)	59,940	-	22,340	-	16,840	-
Financial liabilities at fair value through profit or loss (Notes 8, 38 and 43)	2,753,546	1	5,196,435	1	4,268,431	1
Securities sold under repurchase agreements (Notes 9, 21, 44 and 46)	4,991	-	3,530,487	1	5,089,096	1
Payables (Notes 22 and 44)	7,425,013	1	5,297,879	1	6,577,595	1
Current tax liabilities (Note 4)	136,920	-	176,737	-	197,808	-
Deposits and remittances (Notes 23, 38 and 44)	593,837,369	84	582,152,911	86	557,348,476	83
Bank debentures (Notes 24, 43, 44 and 46)	25,001,900	4	22,601,900	3	25,001,900	4
Principal received on structured products (Note 44)	21,031,101	3	8,190,621	1	14,424,322	2
Other financial liabilities (Notes 25, 44 and 46)	958,594	-	868,202	-	1,103,955	-
Provisions (Notes 26 and 38)	976,233	-	1,063,091	-	1,243,460	-
Lease liabilities (Notes 18, 38, 44 and 46)	1,060,150	-	839,255	-	891,003	-
Other liabilities (Note 46)	622,405	-	622,554	-	637,227	-
Total liabilities	654,796,964	93	631,547,251	93	619,778,751	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 9, 15 and 28)						
Share capital	35,139,632	5	34,481,044	5	34,481,044	5
Capital surplus	456,426	-	456,426	-	456,426	-
Retained earnings						
Legal reserve	10,294,866	2	9,547,845	1	9,547,845	1
Special reserve	5,922	-	23,543	-	23,543	-
Unappropriated earnings	3,157,462	-	3,259,093	1	2,956,534	1
Total retained earnings	13,458,250	2	12,830,481	2	12,527,922	2
Other equity	297,311	-	975,754	-	957,188	-
Total equity	49,351,619	7	48,743,705	7	48,422,580	7
TOTAL	$ 704,148,583	100	$ 680,290,956	100	$ 668,201,331	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
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUES (Notes 29 and 38)	$ 2,414,761	86	$ 2,463,479	85	$ 7,187,275	86	$ 8,029,442	94
INTEREST EXPENSES (Notes 18, 29 and 38)	720,533	26	948,845	33	2,235,354	27	3,552,030	42
NET INTERESTS	1,694,228	60	1,514,634	52	4,951,921	59	4,477,412	52
NET REVENUES AND GAINS OTHER THAN INTEREST								
Net service fee income (Notes 30 and 38)	735,016	26	919,793	32	2,290,637	27	2,719,537	32
Gain on financial assets and liabilities at fair value through profit or loss (Notes 31, 38 and 43)	172,677	6	361,210	13	726,959	9	995,319	12
Realized gain on financial assets at fair value through other comprehensive income (Notes 9 and 28)	72,847	3	53,038	2	73,094	1	73,640	1
Net foreign exchange gain	42,500	2	38,649	1	53,078	1	82,593	1
Shares of profit of associates for using equity method (Note 15)	30,683	1	35,572	1	120,709	1	101,465	1
Others	57,902	2	(29,960)	(1)	176,059	2	84,288	1
Total net revenues and gains other than interest	1,111,625	40	1,378,302	48	3,440,536	41	4,056,842	48
NET REVENUES	2,805,853	100	2,892,936	100	8,392,457	100	8,534,254	100
PROVISION FOR LOSS ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE (Notes 13, 14, 16, 26 and 38)	277,459	10	358,629	12	866,914	10	872,850	10
OPERATING EXPENSES								
Employee benefits expense (Notes 4, 27, 32, 33 and 38)	988,439	35	1,009,502	35	3,046,652	36	3,056,837	36
Depreciation and amortization (Notes 17, 18 and 34)	178,732	6	181,004	6	534,474	7	539,490	6
Other general and administrative expenses (Notes 18, 35 and 38)	500,540	18	520,627	18	1,441,682	17	1,426,244	17
Total operating expenses	1,667,711	59	1,711,133	59	5,022,808	60	5,022,571	59
INCOME BEFORE INCOME TAX	860,683	31	823,174	29	2,502,735	30	2,638,833	31
INCOME TAX EXPENSE (Notes 4 and 36)	94,653	4	107,219	4	287,656	3	307,759	4
NET INCOME FOR THE PERIOD	766,030	27	715,955	25	2,215,079	27	2,331,074	27

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 9, 11, 15, 28 and 36)								
Items that will not be reclassified subsequently to profit or loss:								
Gain (loss) on valuation of investments in equity instruments at fair value through other comprehensive income	$ (49,688)	(2)	$ 79,560	3	$ 15,846	-	$ (31,216)	-
Share of other comprehensive income (loss) of associates for using equity method	1,233	-	1,073	-	3,248	-	667	-
	(48,455)	(2)	80,633	3	19,094	-	(30,549)	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	(1,053)	-	(30,790)	(1)	(41,394)	(1)	(85,993)	(1)
Share of other comprehensive income (loss) of associates for using equity method	(10,048)	-	6,782	-	(28,421)	-	28,868	-
Gain (loss) on investments in debt instruments measured at fair value through other comprehensive income	(136,970)	(5)	(50,461)	(2)	(435,683)	(5)	463,263	6
Income tax benefit (expense) relating to items that may be reclassified subsequently	155	-	(3,457)	-	3,321	-	2,028	-
	(147,916)	(5)	(77,926)	(3)	(502,177)	(6)	408,166	5
Other comprehensive income (loss) for the period	(196,371)	(7)	2,707	-	(483,083)	(6)	377,617	5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 569,659	20	$ 718,662	25	$ 1,731,996	21	$ 2,708,691	32
NET INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 766,030	27	$ 715,955	25	$ 2,215,079	27	$ 2,331,074	27
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 569,659	20	$ 718,662	25	$ 1,731,996	21	$ 2,708,691	32
EARNINGS PER SHARE (Note 37)								
Basic	$ 0.22		$ 0.20		$ 0.63		$ 0.66	
Diluted	$ 0.22		$ 0.20		$ 0.63		$ 0.66	

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
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent							
			Retained Earnings (Notes 9 and 28)			Others		
	Share Capital (Note 28)	Capital Surplus (Note 28)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 9 and 28)	Total Equity
BALANCE AT JANUARY 1, 2020	$ 33,558,193	$ 456,426	$ 8,458,068	$ 76,215	$ 4,299,505	$ (72,090)	$ 508,096	$ 47,284,413
Appropriation of the 2019 earnings								
Legal reserve	-	-	1,089,777	-	(1,089,777)	-	-	-
Reversal of special reserves	-	-	-	(52,672)	52,672	-	-	-
Cash dividends - NT$0.468 per share	-	-	-	-	(1,570,524)	-	-	(1,570,524)
Stock dividends - NT$0.275 per share	922,851	-	-	-	(922,851)	-	-	-
	922,851	-	1,089,777	(52,672)	(3,530,480)	-	-	(1,570,524)
Net income for the nine months ended September 30, 2020	-	-	-	-	2,331,074	-	-	2,331,074
Other comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	(83,965)	461,582	377,617
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	2,331,074	(83,965)	461,582	2,708,691
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	(143,565)	-	143,565	-
BALANCE AT SEPTEMBER 30, 2020	$ 34,481,044	$ 456,426	$ 9,547,845	$ 23,543	$ 2,956,534	$ (156,055)	$ 1,113,243	$ 48,422,580
BALANCE AT JANUARY 1, 2021	$ 34,481,044	$ 456,426	$ 9,547,845	$ 23,543	$ 3,259,093	$ (196,471)	$ 1,172,225	$ 48,743,705
Appropriation of the 2020 earnings								
Legal reserve	-	-	747,021	-	(747,021)	-	-	-
Reversal of special reserves	-	-	-	(17,621)	17,621	-	-	-
Cash dividends - NT$0.326 per share	-	-	-	-	(1,124,082)	-	-	(1,124,082)
Stock dividends - NT$0.191 per share	658,588	-	-	-	(658,588)	-	-	-
	658,588	-	747,021	(17,621)	(2,512,070)	-	-	(1,124,082)
Net income for the nine months ended September 30, 2021	-	-	-	-	2,215,079	-	-	2,215,079
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	(38,073)	(445,010)	(483,083)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	2,215,079	(38,073)	(445,010)	1,731,996
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	195,360	-	(195,360)	-
BALANCE AT SEPTEMBER 30, 2021	$ 35,139,632	$ 456,426	$ 10,294,866	$ 5,922	$ 3,157,462	$ (234,544)	$ 531,855	$ 49,351,619

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,502,735	$ 2,638,833
Adjustments for:		
Depreciation	515,362	520,378
Amortization	19,112	19,112
Provision for loss on bad debts expense, commitment and guarantee	1,161,860	1,187,396
Net valuation loss on financial assets and liabilities at fair value through profit or loss	24,543	278,984
Interest expenses	2,235,354	3,552,030
Interest revenues	(7,187,275)	(8,029,442)
Dividends revenue	(140,024)	(103,732)
Shares of profit from associates	(120,709)	(101,465)
Unrealized net gain on foreign currency exchange	28,189	67,444
Other adjustments	(34,967)	(37,149)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and other banks	(1,060,759)	(400,308)
Decrease (increase) in financial assets at fair value through profit or loss	(1,707,155)	19,300,868
Decrease (increase) in financial assets at fair value through other comprehensive income	28,892,744	(16,205,210)
Decrease in investments in debt instruments at amortized cost	561,946	597,274
Decrease (increase) in receivables	(1,856,411)	1,264,132
Increase in discounts and loans	(46,546,377)	(18,711,888)
Decrease in due to the Central Bank and other banks	(9,177)	(7,973,232)
Increase (decrease) in financial liabilities at fair value through profit or loss	(2,422,385)	376,799
Increase in payables	1,667,567	100,699
Increase in deposits and remittances	14,406,488	23,706,244
Increase in principal received on structured products	12,892,932	5,062,086
Cash generated from operations	3,823,593	7,109,853
Interest received	7,232,115	8,252,556
Dividends received	140,852	101,012
Interest paid	(2,399,347)	(3,789,105)
Income tax paid	(259,064)	(558,083)
Net cash generated from operating activities	8,538,149	11,116,233
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(193,682)	(264,076)
Proceeds from disposal of property and equipment	134	72
Decrease (increase) in other financial assets	818,743	(462,347)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
Decrease (increase) in other assets	$ 10,544	$ (73,496)
Dividends received from associates	49,704	69,585
Net cash generated from (used in) investing activities	685,443	(730,262)
CASH FLOWS FROM FINANCING ACTIVITIES (Note 46)		
Increase in funds borrowed from the Central Bank and other banks	37,600	16,840
Proceeds from the issuance of bank debentures	2,400,000	-
Decrease in securities sold under repurchase agreements	(3,473,568)	(4,378,711)
Repayments of the principal portion of lease liabilities	(309,462)	(323,205)
Increase in other financial liabilities	90,392	102,032
Decrease in other liabilities	(3,201)	(27,410)
Paid cash dividends	-	(1,570,524)
Net cash used in financing activities	(1,258,239)	(6,180,978)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(387,385)	(532,472)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,577,968	3,672,521
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	38,991,142	35,213,042
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 46,569,110	$ 38,885,563

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

	September 30, 2021	December 31, 2020	September 30, 2020
Cash and cash equivalents in consolidated balance sheets	$ 6,713,097	$ 6,409,009	$ 6,241,895
Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents"	31,536,766	21,621,428	26,400,816
Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents"	8,319,247	10,960,705	6,242,852
Cash and cash equivalents in consolidated statements of cash flows	$ 46,569,110	$ 38,991,142	$ 38,885,563

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

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 September 30, 2021, 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 and two representative offices (Vietnam and Singapore).

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 reported to the Bank's Board of Directors on November 9, 2021.

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), IFRIC Interpretations (IFRIC) and SIC Interpretations (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 IFRSs endorsed and issued into effect by the FSC will not have material impact on the Bank and its subsidiaries' accounting policies:

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

   The Bank and its subsidiaries have chosen to apply the practical expediency of the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct result of the reform and the new basis is economically equivalent to the previous basis.

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

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

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

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

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

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

As of the date the financial statements were authorized for issue, the Bank and its subsidiaries are continuously assessing the possible impact that the application of above 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 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

As of the date the financial statements were authorized for issue, the Bank and its subsidiaries are continuously assessing the possible impact that the application of above 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 financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in the interim financial statements is less than those required in a complete set of annual financial statements.

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 44 for the maturity analysis of liabilities.

Basis of Consolidation

a. Principles of preparing consolidated financial reports

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

   Account balances, income and expenses arising from intercompany transactions between the Bank and its subsidiaries have been eliminated upon consolidation.

b. Entities included in financial reports

Entities included in financial reports were as follows:

Investor Company	Investee Company	Nature of Businesses	% of Ownership September 30, 2021	% of Ownership December 31, 2020	% of Ownership September 30, 2020
The Bank	Far Eastern Asset Management Co., Ltd. ("FEAMC")	Purchase, evaluation, auction and management of rights of financial institution creditors	100	100	100
	Far Eastern International Securities Co., Ltd. ("FEIS")	Foreign securities broker, wealth management and offshore fund consulting	100	100	100
Far Eastern Asset Management Co., Ltd. ("FEAMC")	FEIB Financial Leasing Co., Ltd. ("FEIL")	Leasing operation	100	100	100

Other Significant Accounting Policies

Except for those described below, please refer to consolidated financial statements as of December 31, 2020 for details of summary of significant accounting policies.

a. Post-employment benefits

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

b. Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgements and key sources of estimation uncertainty have been followed in the financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	$ 2,892,835	$ 2,623,863	$ 2,864,499
Notes and checks for clearing	1,085,093	368,465	600,895
Deposits due from other banks	2,372,039	3,062,445	2,559,924
Balance with other banks	363,130	354,236	216,577
	$ 6,713,097	$ 6,409,009	$ 6,241,895

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	September 30, 2021	December 31, 2020	September 30, 2020
Due from other banks	$ 20,509,564	$ 13,173,772	$ 15,218,020
New Taiwan dollar reserve deposits - Type A	7,899,094	6,316,477	9,048,685
New Taiwan dollar reserve deposits - Type B	14,577,153	13,516,394	12,554,878
Foreign-currency reserve deposits	127,540	131,021	133,538
Interbank clearing account	3,000,568	2,000,158	2,000,573
	$ 46,113,919	$ 35,137,822	$ 38,955,694

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.

As of September 30, 2021, December 31, 2020 and September 30, 2020, 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 $31,536,766 thousand, $21,621,428 thousand and $26,400,816 thousand, respectively, and were included in cash and cash equivalents in the consolidated statements of cash flows.

The part of New Taiwan dollar reserve deposits - Type B pledged as collaterals are disclosed in Note 39.

8. FINANCIAL INSTRUMENTS AT FVTPL

Financial assets mandatorily classified as at FVTPL

	September 30, 2021	December 31, 2020	September 30, 2020
Non-derivative financial assets			
Government bond	$ 14,880,863	$ 11,750,113	$ 11,757,317
Stock listed on TWSE and TPEx	705,030	673,149	487,103
Beneficiary certificates	94,573	234,854	-
	15,680,466	12,658,116	12,244,420
Derivative financial assets			
Interest rate swap contracts	1,284,007	1,413,015	1,707,360
Foreign-currency swap contracts	1,283,875	3,319,867	1,841,968
Currency option contracts	404,135	603,815	443,911
Forward exchange contracts	104,519	404,968	191,490
Others	117,290	251,617	223,359
	3,193,826	5,993,282	4,408,088
Hybrid contract			
Asset swap fixed-income	11,063,461	8,998,110	11,809,101
Credit linked loan contracts	2,792,770	2,350,490	2,971,390
Credit linked note contracts	279,351	1,574,134	1,316,723
Convertible bonds	155,411	183,304	171,167
	14,290,993	13,106,038	16,268,381
Total financial assets mandatorily classified as at FVTPL	$ 33,165,285	$ 31,757,436	$ 32,920,889

Financial liabilities held for trading

	September 30, 2021	December 31, 2020	September 30, 2020
Non-derivative financial liabilities			
Short-covering debentures	$ 149,056	$ -	$ -
Derivative financial liabilities			
Foreign-currency swap contracts	1,139,060	2,995,733	2,104,959
Interest rate swap contracts	845,718	1,038,249	1,330,156
Currency option contracts	403,896	604,574	444,902
Forward exchange contracts	115,990	351,565	165,955
Others	99,826	206,314	222,459
	2,604,490	5,196,435	4,268,431
Total financial liabilities at FVTPL	$ 2,753,546	$ 5,196,435	$ 4,268,431

The Bank engages in derivative transactions mainly to accommodate customers' needs, manage its exposure positions and to accommodate its fund needs in different currencies.

Outstanding derivative contract (notional) amounts were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Foreign-currency swap contracts	$ 387,100,534	$ 388,506,251	$ 346,808,844
Interest rate swap contracts	212,240,652	150,874,919	159,506,003
Currency option contracts	78,744,045	68,220,685	67,247,356
Forward exchange contracts	16,639,650	19,346,925	21,869,500
Seller of credit default swap contracts	15,029,556	19,430,192	21,248,039
Interest rate option contracts	4,000,000	4,850,800	4,912,600
Cross-currency swap contracts	2,571,610	3,374,610	4,891,010
Bond futures	1,243,420	417,057	448,540
Forward contracts	345,720	370,749	281,683
Non-deliverable forward contracts	38,961	40,121	2,979,824
Stock index futures	14,382	10,350	-
Stock index options	-	160,600	-

9. FINANCIAL ASSETS AT FVTOCI

	September 30, 2021	December 31, 2020	September 30, 2020
Investments in equity instruments			
Stock listed on TWSE and TPEx	$ 1,154,343	$ 1,088,114	$ 1,038,296
Stock unlisted on TWSE and TPEx	280,575	296,158	279,182
	1,434,918	1,384,272	1,317,478
Investments in debt instruments			
Negotiable certificates of deposit	51,646,571	80,153,487	63,792,728
Government bonds	41,362,077	36,594,394	35,798,675
Commercial paper	18,051,978	24,930,474	13,649,416

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
Corporate bonds	$ 17,321,007	$ 14,819,283	$ 12,120,711
Bank debentures	15,254,677	15,489,183	15,718,033
Mortgage backed securities	2,721,633	4,288,580	5,701,628
	146,357,943	176,275,401	146,781,191
Total financial assets at FVTOCI	$ 147,792,861	$ 177,659,673	$ 148,098,669

(Concluded)

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 Bank recognized dividends revenue from equity instruments at FVTOCI as below:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Dividends revenue recognized in profit or loss				
On equity held at period end	$ 51,614	$ 32,867	$ 76,885	$ 55,533
On equity disposed of in current period	27,880	27,708	35,617	32,965
	$ 79,494	$ 60,575	$ 112,502	$ 88,498

Because of the consideration of asset allocation, the management adjusted the portfolio; the information about disposal of equity instruments in the current period is as below:

	For the Nine Months Ended September 30	
	2021	2020
Fair value at the date of disposal	$ 1,242,678	$ 842,227
Accumulated gain (loss) transferred to retained earnings due to disposal	$ 193,532	$ (144,429)

For the above information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, refer to Note 11. The assets pledged as collaterals are disclosed in Note 39.

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.

	September 30, 2021	December 31, 2020	September 30, 2020
Bank debentures	$ 5,614	$ 3,412,187	$ 5,066,642
Government bonds	$ -	$ 302,764	$ 303,092

10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST

	September 30, 2021	December 31, 2020	September 30, 2020
Bank debentures	$ 498,644	$ 507,721	$ 1,302,115
Corporate bonds	-	570,160	582,520
	498,644	1,077,881	1,884,635
Less: Allowance for loss	15	117	104
	$ 498,629	$ 1,077,764	$ 1,884,531

For the information on related 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:

	At FVTOCI	At Amortized Cost	Total
September 30, 2021			
Total carrying amount	$ 146,001,901	$ 498,644	$ 146,500,545
Less: Impairment loss	12,702	15	12,717
Amortized cost	145,989,199	$ 498,629	146,487,828
Fair value adjustment	368,744		368,744
	$ 146,357,943		$ 146,856,572
December 31, 2020			
Total carrying amount	$ 175,486,919	$ 1,077,881	$ 176,564,800
Less: Impairment loss	15,946	117	16,063
Amortized cost	175,470,973	$ 1,077,764	176,548,737
Fair value adjustment	804,428		804,428
	$ 176,275,401		$ 177,353,165

(Continued)

September 30, 2020	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 145,830,559	$ 1,884,635	$ 147,715,194
Less: Impairment loss	11,086	104	11,190
Amortized cost	145,819,473	$ 1,884,531	147,704,004
Fair value adjustment	961,718		961,718
	$ 146,781,191		$ 148,665,722

(Concluded)

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:

	At FVTOCI	At Amortized Cost	Total
For the nine months ended September 30, 2021			
Beginning on January 1, 2021	$ 15,946	$ 117	$ 16,063
Purchase of new debt instruments	7,222	-	7,222
Derecognition	(10,196)	(102)	(10,298)
Exchange rate and other changes	(270)	-	(270)
Balance on September 30, 2021	$ 12,702	$ 15	$ 12,717
For the nine months ended September 30, 2020			
Beginning on January 1, 2020	$ 8,905	$ 256	$ 9,161
Purchase of new debt instruments	6,528	-	6,528
Derecognition	(1,313)	(85)	(1,398)
Exchange rate and other changes	(3,034)	(67)	(3,101)
Balance on September 30, 2020	$ 11,086	$ 104	$ 11,190

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Government bonds	$ 7,060,552	$ 7,439,318	$ 1,424,732
Commercial paper	1,259,014	2,474,535	3,659,281
Negotiable certificates of deposit	-	1,048,085	1,160,395
	8,319,566	10,961,938	6,244,408
Less: Allowance for loss	319	1,233	1,556
	$ 8,319,247	$ 10,960,705	$ 6,242,852
Resale price	$ 8,320,540	$ 10,963,209	$ 6,245,847
Resale date	2021.10.04-2021.10.27	2021.01.04-2021.01.29	2020.10.05-2020.10.28

The total carrying amounts shown above have been included as cash and cash equivalents in the statements of cash flows.

13. RECEIVABLES, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Credit card	$ 11,778,392	$ 13,954,185	$ 12,781,693
Factoring	6,219,567	2,650,059	3,750,263
Buying debt receivable	1,083,838	1,120,220	1,265,067
Interest	793,476	838,316	827,517
Lease receivables	761,641	724,018	791,819
Forfaiting	554,932	755,913	-
Acceptances	439,578	901,886	436,322
Spot exchange transactions	419,910	623,413	603,608
Others	849,159	495,255	732,066
	22,900,493	22,063,265	21,188,355
Less: Allowance for possible losses	554,488	519,052	518,973
	$ 22,346,005	$ 21,544,213	$ 20,669,382

The changes in the total carrying amount of receivables and other financial assets were as follows:

For the nine months ended September 30, 2021

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Receivables and Other Financial Assets
Beginning on January 1, 2021	$ 19,336,317	$ 61,434	$ 1,178,967	$ 20,576,718
Changes of financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(43,050)	45,831	(56)	2,725
Transfer to Stage 3	(85,768)	(19,147)	112,597	7,682
Transfer to Stage 1	6,642	(8,874)	(328)	(2,560)
Financial assets derecognized in the current period	(7,917,391)	(9,908)	(172,513)	(8,099,812)
Purchased or original financial assets	8,931,001	8,365	28,116	8,967,482
Write-offs	(38,198)	(17,787)	(37,444)	(93,429)
Exchange rate and other changes	(18,980)	(2,015)	(4,568)	(25,563)
Balance on September 30, 2021	$ 20,170,573	$ 57,899	$ 1,104,771	$ 21,333,243

For the nine months ended September 30, 2020

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Receivables and Other Financial Assets
Beginning on January 1, 2020	$ 20,173,268	$ 69,452	$ 1,270,097	$ 21,512,817
Changes of financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(47,056)	55,311	(181)	8,074
Transfer to Stage 3	(108,251)	(19,760)	137,562	9,551
Transfer to Stage 1	19,902	(11,457)	(9,575)	(1,130)
Financial assets derecognized in the current period	(8,771,477)	(11,950)	(196,803)	(8,980,230)
Purchased or original financial assets	7,278,128	8,473	42,669	7,329,270
Write-offs	(47,752)	(23,975)	(41,179)	(112,906)
Exchange rate and other changes	(41,718)	(944)	(2,398)	(45,060)
Balance on September 30, 2020	$ 18,455,044	$ 65,150	$ 1,200,192	$ 19,720,386

Note 1: 12-month ECLs (evaluate the receivables and other financial assets whose credit risk has not increased significantly since initial recognition).

Note 2: Lifetime ECLs (evaluate the receivables and other financial assets whose credit risk has increased significantly since initial recognition).

Note 3: Lifetime ECLs (evaluate impaired financial assets).

The changes in the allowance for possible loss of receivables and other financial assets were as follows:

For the nine months ended September 30, 2021

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2021	$ 33,195	$ 6,387	$ 376,307	$ 415,889	$ 103,403	$ 519,292
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(21)	5,952	(7)	5,924	-	5,924
Transfer to Stage 3	(43)	(1,768)	33,988	32,177	-	32,177
Transfer to Stage 1	4	(1,313)	(41)	(1,350)	-	(1,350)
Financial assets derecognized in the current period	(9,137)	(992)	(35,442)	(45,571)	-	(45,571)
Purchased or original financial assets	38,084	1,157	9,010	48,251	-	48,251
The difference of impairment under the Regulations	-	-	-	-	10,838	10,838
Write-offs	(38,198)	(17,787)	(37,444)	(93,429)	-	(93,429)
Exchange rate and other changes	37,842	15,902	24,715	78,459	-	78,459
Balance on September 30, 2021	$ 61,726	$ 7,538	$ 371,086	$ 440,350	$ 114,241	$ 554,591

For the nine months ended September 30, 2020

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2020	$ 35,793	$ 7,343	$ 382,562	$ 425,698	$ 94,421	$ 520,119
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(19)	6,116	(61)	6,036	-	6,036
Transfer to Stage 3	(46)	(1,944)	41,001	39,011	-	39,011
Transfer to Stage 1	16	(1,537)	(3,686)	(5,207)	-	(5,207)
Financial assets derecognized in the current period	(14,217)	(1,131)	(37,780)	(53,128)	-	(53,128)
Purchased or original financial assets	28,576	1,134	11,550	41,260	-	41,260
The difference of impairment under the Regulations	-	-	-	-	(12,691)	(12,691)
Write-offs	(47,752)	(23,975)	(41,179)	(112,906)	-	(112,906)
Exchange rate and other changes	47,655	21,352	27,613	96,620	-	96,620
Balance on September 30, 2020	$ 50,006	$ 7,358	$ 380,020	$ 437,384	$ 81,730	$ 519,114

14. DISCOUNTS AND LOANS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Negotiations, discounts and overdraft	$ 131,062	$ 259,841	$ 204,367
Short-term loans	96,193,430	66,840,656	80,447,088
Medium-term loans	153,061,732	144,009,562	147,959,890
Long-term loans	182,973,563	176,390,904	176,221,503
Overdue receivable	740,751	1,355,749	1,296,338
	433,100,538	388,856,712	406,129,186
Less: Allowance for possible losses	5,730,529	5,663,943	5,868,210
	$ 427,370,009	$ 383,192,769	$ 400,260,976

The details of the provision for possible losses were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Provision for possible losses - discounts and loans	$ 293,352	$ 407,920	$ 1,086,275	$ 1,031,543
Provision for possible losses - receivables and other financial assets	66,465	35,550	126,610	108,372
Provision for (reversal of) possible losses - reserve for commitment and guarantee obligations	1,910	35,260	(51,025)	47,481
Amounts recovered - discounts and loans	(46,691)	(67,075)	(178,694)	(174,466)
Amounts recovered - receivables and other financial assets	(37,577)	(53,026)	(116,252)	(140,080)
	$ 277,459	$ 358,629	$ 866,914	$ 872,850

The changes in the total carrying amount of discounts and loans were as follows:

For the nine months ended September 30, 2021

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Discounts and Loans
Beginning on January 1, 2021	$ 383,428,760	$ 1,054,943	$ 4,373,009	$ 388,856,712
Changes of financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(314,894)	292,823	(544)	(22,615)
Transfer to Stage 3	(419,698)	(283,487)	623,109	(80,076)
Transfer to Stage 1	181,380	(188,593)	(9,664)	(16,877)
Financial assets derecognized in the current period	(78,437,084)	(173,017)	(1,519,421)	(80,129,522)
Purchased or original financial assets	125,522,040	26,684	284,461	125,833,185
Write-offs	(71,688)	(204,144)	(537,113)	(812,945)
Exchange rate and other changes	(522,053)	2,099	(7,370)	(527,324)
Balance on September 30, 2021	$ 429,366,763	$ 527,308	$ 3,206,467	$ 433,100,538

For the nine months ended September 30, 2020

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Discounts and Loans
Beginning on January 1, 2020	$ 383,679,108	$ 1,062,772	$ 5,458,548	$ 390,200,428
Changes of financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(1,610,524)	1,429,701	(2,670)	(183,493)
Transfer to Stage 3	(1,108,508)	(98,275)	1,165,573	(41,210)
Transfer to Stage 1	1,717,476	(361,289)	(4,996)	1,351,191
Financial assets derecognized in the current period	(77,523,393)	(163,824)	(2,384,194)	(80,071,411)
Purchased or original financial assets	95,857,561	43,105	299,476	96,200,142
Write-offs	(50,046)	(322,706)	(355,192)	(727,944)
Exchange rate and other changes	(608,044)	6,403	3,124	(598,517)
Balance on September 30, 2020	$ 400,353,630	$ 1,595,887	$ 4,179,669	$ 406,129,186

Note 1: 12-month ECLs (evaluate the discounts and loans whose credit risk has not increased significantly since initial recognition).

Note 2: Lifetime ECLs (evaluate the discounts and loans whose credit risk has increased significantly since initial recognition).

Note 3: Lifetime ECLs (evaluate impaired financial assets).

The changes in the allowance for possible loss of discounts and loans were as follows:

For the nine months ended September 30, 2021

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2021	$ 478,683	$ 132,020	$ 1,633,428	$ 2,244,131	$ 3,419,812	$ 5,663,943
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(963)	88,045	(491)	86,591	-	86,591
Transfer to Stage 3	(1,264)	(11,409)	378,806	366,133	-	366,133
Transfer to Stage 1	278	(21,936)	(2,268)	(23,926)	-	(23,926)
Financial assets derecognized in the current period	(76,794)	(45,408)	(642,393)	(764,595)	-	(764,595)
Purchased or original financial assets	267,659	17,492	94,007	379,158	-	379,158
The difference of impairment under the Regulations.	-	-	-	-	521,220	521,220
Write-offs	(71,688)	(204,144)	(537,113)	(812,945)	-	(812,945)
Exchange rate and other changes	69,451	163,713	81,786	314,950	-	314,950
Balance on September 30, 2021	$ 665,362	$ 118,373	$ 1,005,762	$ 1,789,497	$ 3,941,032	$ 5,730,529

For the Nine Months Ended September 30, 2020

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2020	$ 690,586	$ 101,911	$ 849,067	$ 1,641,564	$ 3,934,047	$ 5,575,611
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(5,384)	83,240	(1,442)	76,414	-	76,414
Transfer to Stage 3	(5,004)	(9,703)	370,786	356,079	-	356,079
Transfer to Stage 1	4,284	(22,316)	(1,598)	(19,630)	-	(19,630)
Financial assets derecognized in the current period	(18,260)	(33,805)	(158,512)	(210,577)	-	(210,577)
Purchased or original financial assets	394,751	21,280	107,311	523,342	-	523,342
The difference of impairment under the Regulations.	-	-	-	-	(499,417)	(499,417)
Write-offs	(50,046)	(322,706)	(355,192)	(727,944)	-	(727,944)
Exchange rate and other changes	75,014	294,374	424,944	794,332	-	794,332
Balance on September 30, 2020	$ 1,085,941	$ 112,275	$ 1,235,364	$ 2,433,580	$ 3,434,630	$ 5,868,210

15. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Dah Chung Bills Finance Corp.	$ 1,815,779	22.06	$ 1,782,278	22.06	$ 1,746,792	22.06
Deutsche Far Eastern Asset Management Co., Ltd.	141,982	40.00	129,651	40.00	127,145	40.00
	$ 1,957,761		$ 1,911,929		$ 1,873,937	

The Bank holds 22.06% of the shares and is the single largest shareholder of Dah Chung Bills Finance Corp (Dah Chung). The Bank does not have absolute difference in shareholding ratio compared with other shareholders, does not control more than half of the seats in the board of directors, does not have the control power to dominate the related activities, and only has significant influence over the invested company. Therefore, Dah Chung is reported as an associate in the financial statements.

The above associates are individually immaterial to the financial statements; the share of the Bank and its subsidiaries in these associates' financial performance was summarized as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Net income from continuing operation	$ 30,683	$ 35,572	$ 120,709	$ 101,465
Other comprehensive income	(8,815)	7,855	(25,173)	29,535
Total comprehensive income	$ 21,868	$ 43,427	$ 95,536	$ 131,000

16. OTHER FINANCIAL ASSETS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Nonaccrual loans other than discounts and loans	$ 207	$ 358	$ 255
Less: Allowance for possible losses (Note 13)	103	240	141
	104	118	114
Refundable deposits	2,778,748	3,609,140	3,873,305
Less: Allowance for loss	463	618	654
	2,778,285	3,608,522	3,872,651
Deposits with original maturity more than 3 months (Note 39)	861,640	876,400	854,800
Restricted assets	133,818	169,762	173,223
	$ 3,773,847	$ 4,654,802	$ 4,900,788

The above restricted assets are margin and collection charged from customers placed in specified current deposit of FEIL.

17. PROPERTY AND EQUIPMENT, NET

For the nine months ended September 30, 2021

	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
Cost							
Beginning balance	$ 1,447,433	$ 1,148,967	$ 2,296,186	$ 1,281	$ 1,563,669	$ 24,576	$ 6,482,112
Additions	-	413	110,941	-	15,459	66,869	193,682
Disposals	-	-	(22,923)	(97)	(8,304)	-	(31,324)
Others	-	-	25,750	-	(113)	(31,616)	(5,979)
Ending balance	1,447,433	1,149,380	2,409,954	1,184	1,570,711	59,829	6,638,491
Accumulated depreciation							
Beginning balance	-	603,003	1,520,111	1,247	1,372,798	-	3,497,159
Depreciation	-	19,652	153,714	19	39,782	-	213,167
Disposals	-	-	(22,923)	(96)	(8,304)	-	(31,323)
Others	-	3	(1,477)	-	(315)	-	(1,789)
Ending balance	-	622,658	1,649,425	1,170	1,403,961	-	3,677,214
Net ending balance	$ 1,447,433	$ 526,722	$ 760,529	$ 14	$ 166,750	$ 59,829	$ 2,961,277

For the nine months ended September 30, 2020

	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
Cost							
Beginning balance	$ 1,447,433	$ 1,157,193	$ 1,967,848	$ 1,414	$ 1,577,258	$ 98,722	$ 6,249,868
Additions	-	4,190	168,427	-	23,202	68,257	264,076
Disposals	-	(330)	(38,244)	(91)	(39,495)	-	(78,160)
Others	-	102	107,526	-	1,958	(111,756)	(2,170)
Ending balance	1,447,433	1,161,155	2,205,557	1,323	1,562,923	55,223	6,433,614
Accumulated depreciation							
Beginning balance	-	591,638	1,380,608	1,344	1,362,987	-	3,336,577
Depreciation	-	20,012	135,166	27	44,416	-	199,621
Disposals	-	(330)	(38,244)	(91)	(39,381)	-	(78,046)
Others	-	-	(1,506)	-	(312)	-	(1,818)
Ending balance	-	611,320	1,476,024	1,280	1,367,710	-	3,456,334
Net ending balance	$ 1,447,433	$ 549,835	$ 729,533	$ 43	$ 195,213	$ 55,223	$ 2,977,280

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 and interest expense are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Net carrying amount of right-of-use assets	$ 1,053,395	$ 825,209	$ 878,561
Carrying amount of lease liabilities	$ 1,060,150	$ 839,255	$ 891,003
The range of discount rate	0.83%-2.01%	0.70%-5.27%	0.70%-5.27%

	For the Nine Months Ended September 30	
	2021	2020
Additions to right-of-use assets	$ 532,143	$ 183,518
Cash outflow for leases	$ 322,172	$ 334,437

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Depreciation expense of right-of-use assets	$ 100,420	$ 106,529	$ 302,195	$ 320,757
Interest expense of lease liabilities	$ 2,352	$ 2,117	$ 7,188	$ 6,677
Other lease information				
Short-term lease expenses	$ 2,537	$ 613	$ 5,522	$ 4,555

19. INTANGIBLE ASSETS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Operation rights	$ 1,538,210	$ 1,538,210	$ 1,538,210
Fair value of core deposits	428,887	428,887	428,887
Less: Accumulated amortization	337,573	318,461	312,090
	91,314	110,426	116,797
	$ 1,629,524	$ 1,648,636	$ 1,655,007

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.

After 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 assessed the recoverable amount of the cash generating unit of the operation rights for impairment in 2020 and 2019; 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 was assessed. Therefore, the Bank did not recognize any impairment loss on its operation rights for the nine months ended September 30, 2021 and 2020.

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	September 30, 2021	December 31, 2020	September 30, 2020
Call loans to banks	$ 772,913	$ 955,890	$ 2,956,030
Bank overdrafts	153,184	8,680	11,181
Due to banks	2,705	20,269	11,427
	$ 928,802	$ 984,839	$ 2,978,638

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Bank debentures (Note 9)	$ 4,991	$ 3,227,448	$ 4,792,244
Government bonds (Note 9)	-	303,039	296,852
	$ 4,991	$ 3,530,487	$ 5,089,096
Repurchase price	$ 4,991	$ 3,532,088	$ 5,091,827
Repurchase date	2021.10.25	2021.01.06-2021.01.19	2020.10.01-2020.10.26

22. PAYABLES

	September 30, 2021	December 31, 2020	September 30, 2020
Accrued expenses	$ 1,608,530	$ 1,604,630	$ 1,582,705
Accrued dividends (Note 28)	1,124,082	-	-
Notes and checks for clearing	1,085,093	368,465	600,895
Accounts payable factoring	1,003,270	679,375	767,008
Receipts under custody	776,038	80,310	1,557,208
Accrued interest	498,400	662,393	771,928
Liabilities on bank acceptances	439,578	901,886	436,322
Credit card	174,834	182,047	174,647
Spot exchange transactions	17,103	243,489	33,669
Others	698,085	575,284	653,213
	$ 7,425,013	$ 5,297,879	$ 6,577,595

23. DEPOSITS AND REMITTANCES

	September 30, 2021	December 31, 2020	September 30, 2020
Checking deposits	$ 3,303,146	$ 2,852,142	$ 5,726,730
Demand deposits	132,411,233	119,892,800	115,962,719
Demand savings	93,956,544	84,021,440	79,797,318
Time savings	75,688,823	71,626,336	74,236,756
Negotiable certificates of deposit	827,500	826,500	1,005,500
Time deposits	287,210,205	302,855,297	280,602,534
Remittances	439,918	78,396	16,919
	$ 593,837,369	$ 582,152,911	$ 557,348,476

24. BANK DEBENTURES

Domestic Bank Debentures

Item	Issuance Period	Note	September 30, 2021	December 31, 2020	September 30, 2020
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
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	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	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	4,000,000
Subordinated bank debentures - perpetual; first issue in 2018	2018.09.18-	Interest payable on September 18 each year fixed interest rate at 3.20%	2,900,000	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	2,500,000	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	2,000,000	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	2,000,000	2,000,000
General 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	3,500,000	3,500,000
Subordinated bank debentures - seven-year maturity; first issue in 2020	2020.11.26-2027.11.26	Interest payable on November 26 each year fixed interest rate at 0.75%	1,600,000	1,600,000	-
Subordinated bank debentures - seven-year maturity; first issue in 2021	2021.04.27-2028.04.27	Interest payable on April 27 each year fixed interest rate at 0.83%	2,400,000	-	-
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2005; acquired from Chinfon Bank	Matured on 2012.06.28	-	1,660	1,660	1,660
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2002; acquired from Chinfon Bank	Matured on 2009.06.28	-	240	240	240
Total bank debentures			$ 25,001,900	$ 22,601,900	$ 25,001,900

The Bank issued the first issuance of perpetual non-cumulative subordinated bank debentures in 2018 in the amount of $2,900,000 thousand on September 18, 2018 with an interest rate of 3.20% and the interest is paid once a year if the interest payment condition is met. 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

	September 30, 2021	December 31, 2020	September 30, 2020
Deposit received	$ 438,706	$ 408,350	$ 474,049
Bank loan	290,000	210,000	430,000
Commercial paper	230,000	250,000	200,000
Less: Unamortized discount on commercial paper	112	148	94
	$ 958,594	$ 868,202	$ 1,103,955
Interest rates			
Bank loan	1.00%-1.02%	1.04%-1.05%	1.05%
Commercial paper	0.99%-1.02%	1.02%-1.05%	1.03%-1.05%

26. PROVISIONS

	September 30, 2021	December 31, 2020	September 30, 2020
Reserve for employee benefits liability - defined benefit plans (Note 27)	$ 665,841	$ 700,977	$ 867,829
Reserve for obligations guarantee (Note 43)	261,153	286,576	296,772
Reserve for financing commitment (Note 43)	49,239	75,538	78,859
	$ 976,233	$ 1,063,091	$ 1,243,460

The changes in provision for losses on financing commitments and obligations guarantees are as follows:

For the nine months ended September 30, 2021

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Provision for Losses on Financing Commitments and Obligations Guarantee
Beginning on January 1, 2021	$ 83,913	$ 12,417	$ 21,140	$ 117,470	$ 244,644	$ 362,114
Changes recognized at the beginning of the period:						
Transfer to Stage 2	(7)	5,894	-	5,887	-	5,887
Transfer to Stage 3	-	-	343	343	-	343
Transfer to Stage 1	9	(7,389)	(138)	(7,518)	-	(7,518)
Derecognized in the current period	(20,662)	(1,253)	(285)	(22,200)	-	(22,200)
Purchased or original	22,183	1,568	94	23,845	-	23,845
The difference of impairment under the Regulations	-	-	-	-	(49,955)	(49,955)
Exchange rate and other changes	(1,949)	(142)	(33)	(2,124)	-	(2,124)
Balance on September 30, 2021	$ 83,487	$ 11,095	$ 21,121	$ 115,703	$ 194,689	$ 310,392

For the nine months ended September 30, 2020

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Provision for Losses on Financing Commitments and Obligations Guarantee
Beginning on January 1, 2020	$ 88,593	$ 11,704	$ 22,832	$ 123,129	$ 205,736	$ 328,865
Changes recognized at the beginning of the period:						
Transfer to Stage 2	(8)	8,931	(21)	8,902	-	8,902
Transfer to Stage 3	-	(23)	163	140	-	140
Transfer to Stage 1	20	(8,220)	(1,833)	(10,033)	-	(10,033)
Derecognized in the current period	(23,338)	(1,163)	(282)	(24,783)	-	(24,783)
Purchased or original	72,685	1,172	19	73,876	-	73,876
The difference of impairment under the Regulations	-	-	-	-	(23,196)	(23,196)
Exchange rate and other changes	21,135	745	(20)	21,860	-	21,860
Balance on September 30, 2020	$ 159,087	$ 13,146	$ 20,858	$ 193,091	$ 182,540	$ 375,631

27. RETIREMENT BENEFIT PLANS

Defined contribution plan

The pension plan under the Labor Pension Act (the Act) is a defined contribution plan. Based on the Act, the Bank and its subsidiaries' make monthly contributions to employees' individual pension accounts in the Bureau of Labor Insurance at 6% of monthly salaries and wages, related pension expense of $102,143 thousand and $101,958 thousand for the nine months ended September 30, 2021 and 2020, respectively.

Defined benefit plan

The Bank's pension expenses related to the defined benefit plans were estimated based on the pension cost rate determined by actuarial calculations on December 31, 2020 and 2019. The related pension expenses for the nine months ended September 30, 2021 and 2020 were $8,814 thousand and $13,288 thousand, respectively.

28. EQUITY

a. Share capital

Ordinary shares

	September 30, 2021	December 31, 2020	September 30, 2020
Authorized shares (in thousands)	5,500,000	5,500,000	5,500,000
Authorized capital	$ 55,000,000	$ 55,000,000	$ 55,000,000
Issued and paid shares (in thousands)	3,513,963	3,448,104	3,448,104
Issued capital	$ 35,139,632	$ 34,481,044	$ 34,481,044

At the shareholders' meeting held on June 11, 2020, the Bank resolved to change its authorized capital to $55,000,000 thousand. The amendment to the registration of capital was completed on July 7, 2020.

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 11, 2020, the Bank resolved to increase its capital by using its undistributed earnings of $922,851 thousand. As a result, the Bank issued 92,285 thousand ordinary shares at a par value of NT$10. After the issuance, the share capital of the Bank amounted to $34,481,044 thousand.

At the shareholders’ meeting held on July 20, 2021, the Bank resolved to increase its capital by using its undistributed earnings of $658,588 thousand. As a result, the Bank issued 65,859 thousand ordinary shares at a par value of NT$10. After the issuance, the share capital of the Bank amounted to $35,139,632 thousand.

Global depository receipts

As of September 30, 2021, the outstanding GDRs were 214 thousand units, equivalent to 4,271 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

Under the dividend policy of the Bank’s Articles before June 11, 2020, in case of net income for current period 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 percent (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.

After shareholders’ meetings on June 11, 2020, the Articles were amended. The basis of setting aside thirty percent (30%) as a legal reserve was revised from “net income for current period” to “surplus”, including net income for current period plus changes in other unappropriated earnings in the current 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 or 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 2020 and 2019, which were approved in the shareholders' meetings on July 20, 2021 and June 11, 2020, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (Dollars)**	
	2020	**2019**	**2020**	**2019**
Cash dividends	$ 1,124,082	$ 1,570,524	$0.326	$0.468
Stock dividends	658,588	922,851	0.191	0.275

According to FSC regulations, in order to respect to development of financial technology or business, expenditure of educational training to enhance the ability of employees, employee transformation or settlement was previously appropriated as special reserve in 2016 to 2018. After the expenditure incurred in 2019 to 2020, the Bank reserved the special reserve within the range of its balance.

d. Other equity items

Unrealized gain or loss on financial assets measured at FVTOCI:

	For the Nine Months Ended September 30	
	2021	**2020**
Beginning on January 1	$ 1,172,225	$ 508,096
Recognized for the current period		
Unrealized gain (loss)		
Debt instruments	(475,091)	463,259
Equity instruments	15,846	(31,216)
Share of other comprehensive income (loss) of associates for using the equity method	(25,173)	29,535
Investment in debt instruments transferred to current income due to disposal	39,408	4
Other comprehensive income recognized for the current period	(445,010)	461,582
Loss (gain) on equity instruments transferred to retained earnings due to disposal	(195,360)	143,565
Balance on September 30	$ 531,855	$ 1,113,243

29. NET INTERESTS

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest revenues				
Discounts and loans	$ 1,898,844	$ 1,887,038	$ 5,581,221	$ 6,213,149
Securities	236,362	293,945	725,312	947,094
Credit cards	212,273	221,759	682,744	656,850
Others	67,282	60,737	197,998	212,349
	2,414,761	2,463,479	7,187,275	8,029,442
Interest expenses				
Deposits and remittances	580,680	780,540	1,827,750	2,854,877
Bank debentures	92,194	104,532	267,180	312,885
Structured products	35,522	30,197	99,024	171,043
Bonds under repurchase agreements	2	10,479	4,421	89,981
Others	12,135	23,097	36,979	123,244
	720,533	948,845	2,235,354	3,552,030
	$ 1,694,228	$ 1,514,634	$ 4,951,921	$ 4,477,412

30. NET SERVICE FEE INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Service fee income				
Fees from trustee business	$ 218,182	$ 235,141	$ 714,336	$ 690,276
Fees from credit card	189,015	178,914	589,334	574,541
Fees from insurance commission	156,637	121,464	452,025	429,700
Fees from loan	165,680	255,992	448,447	799,359
Fees from brokering	93,698	207,650	393,055	544,220
Others	89,471	95,237	275,288	253,351
	912,683	1,094,398	2,872,485	3,291,447
Service fee expense				
Refund from credit card	32,178	41,080	136,663	144,665
Visa and Master	41,657	18,555	116,577	49,274
National credit card center fee	37,535	34,618	108,870	109,020
Agency service fee	16,468	18,844	57,340	59,427
Interbank service fee	9,266	12,663	36,029	36,545
Credit investigation	8,614	10,090	27,605	30,220
Promotion service fee	2,169	1,891	4,413	36,192
Others	29,780	36,864	94,351	106,567
	177,667	174,605	581,848	571,910
	$ 735,016	$ 919,793	$ 2,290,637	$ 2,719,537

31. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Gain on disposal	$ 195,167	$ 235,346	$ 601,266	$1,058,359
Gain (loss) on valuation	(87,970)	59,253	(24,543)	(278,984)
Net interests	38,791	51,662	122,715	200,710
Dividends	26,689	14,949	27,521	15,234
	$ 172,677	$ 361,210	$ 726,959	$ 995,319

32. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Salaries	$ 817,397	$ 828,318	$ 2,511,642	$ 2,527,197
Labor and health insurance	65,486	63,239	193,318	181,136
Post-employment benefits (Note 27)	31,269	37,382	110,957	115,246
Others	74,287	80,563	230,735	233,258
	$ 988,439	$ 1,009,502	$ 3,046,652	$ 3,056,837

33. EMPLOYEES' COMPENSATION AND REMUNERATION OF DIRECTORS AND SUPERVISORS

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. For the nine months ended September 30, 2021 and 2020, the Bank's accrued employees' compensation were $91,584 thousand and $98,317 thousand, and the remuneration of directors were $30,110 thousand and $32,683 thousand, respectively.

On March 26, 2021 the Bank's Board of Directors resolved to pay employees' compensation of $116,261 thousand and remuneration of directors of $38,754 thousand for the year ended December 31, 2020, both in cash. 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. There was no difference between the actual amounts of employees' compensation and remuneration of directors approved in 2020 and 2019 and the amounts recognized in the financial statements for the year ended December 31, 2020 and 2019.

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

34. DEPRECIATION AND AMORTIZATION

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Depreciation				
Property and equipment (Note 17)	$ 71,941	$ 68,104	$ 213,167	$ 199,621
Leased right-of-use assets (Note 18)	100,420	106,529	302,195	320,757
	$ 172,361	$ 174,633	$ 515,362	$ 520,378
Amortization - intangible assets (Note 19)	$ 6,371	$ 6,371	$ 19,112	$ 19,112

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Tax and government fees	$ 136,907	$ 144,214	$ 416,307	$ 439,953
Marketing and advertising	108,310	110,710	245,412	190,584
Software	58,317	55,307	170,246	167,774
Telecommunications	38,957	40,624	119,572	124,054
Others	158,049	169,772	490,145	503,879
	$ 500,540	$ 520,627	$ 1,441,682	$ 1,426,244

36. INCOME TAX EXPENSE

a. Income tax expense recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current tax expense	$ 96,612	$ 125,739	$ 255,435	$ 385,827
Deferred tax expense	(1,959)	(18,520)	32,221	(78,068)
Income tax expense recognized in profit or loss	$ 94,653	$ 107,219	$ 287,656	$ 307,759

b. Income tax benefit (expense) recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Income tax benefit (expense) of differences on translating foreign operations	$ 155	$ (3,457)	$ 3,321	$ 2,028

c. Income tax assessments

The income tax returns of the Bank through 2018 had been assessed by the tax authorities. The income tax returns of FEIS and FEAMC through 2019 had been assessed by the tax authorities.

37. 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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Basic EPS				
Basic EPS	$ 0.22	$ 0.20	$ 0.63	$ 0.66
Diluted EPS				
Diluted EPS	$ 0.22	$ 0.20	$ 0.63	$ 0.66

Earnings per share included in the comprehensive income statement did not consider the effects of changes in the number of shares resulted from bonus issue because the record date of bonus shares issued was set after the financial statements were approved.

The net income and weighted average number of ordinary shares outstanding for EPS calculation were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Net income attributable to owners of the Bank	$ 766,030	$ 715,955	$ 2,215,079	$ 2,331,074
Number of ordinary shares (in thousand shares)				
Weighted average number of ordinary shares in the computation of basic EPS	3,513,963	3,513,963	3,513,963	3,513,963
Effect of dilutive potential ordinary shares				
Employees' compensation	2,947	2,416	12,076	14,775
Weighted average number of ordinary shares used in the computation of diluted EPS	3,516,910	3,516,379	3,526,039	3,528,738

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.

The weighted average number of ordinary shares outstanding used in the calculation of the EPS for the three months ended September 30, 2020 and the nine months ended September 30, 2020 was retrospectively adjusted for the issuance of stock dividends. The basic and diluted after-tax EPS were adjusted retrospectively as follows:

Unit: NT$ Per Share

	Before Adjustment		After Adjustment	
	For the Three Months Ended September 30, 2020	**For the Nine Months Ended September 30, 2020**	**For the Three Months Ended September 30, 2020**	**For the Nine Months Ended September 30, 2020**
Basic EPS	$ 0.21	$ 0.68	$ 0.20	$ 0.66
Diluted EPS	$ 0.21	$ 0.67	$ 0.20	$ 0.66

38. 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
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
Far Eastern New Century Corp.	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 (Singapore) Private, Ltd.	Chairman of parent company is the vice-chairman of the Bank
Yuan Long Stainless Steel Co.	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
Der Ching Investment Corporation	Chairman is a second-degree relative of the vice chairman of the Bank
Pacific SOGO Department Stores Corp.	Substantive related party
Far Eastern International Leasing Corp.	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. Due from other banks

	Highest Balance in Current Period	Ending Balance	Interest Revenue	Interest Rate
Dah Chung Bills Finance Corp.				
For the three months ended September 30, 2021				
2021	$ 1,500,000	$ -	$ 116	0.20%-0.24%
2020	$ 300,000	$ -	$ 13	0.27%
For the nine months ended September 30, 2020				
2021	$ 1,500,000	$ -	$ 116	0.20%-0.24%
2020	$ 300,000	$ -	$ 13	0.27%

b. Loans

Category	Number of Accounts and Related Party	Highest Balance in Current Period	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Transactions Terms Different from Those for Unrelated Parties
For the nine months ended September 30, 2021							
Consumer loans	Seven individuals	$ 4,750	$ 4,324	$ 4,324	$ -	Unsecured loan	Note 2
Loans for residential mortgage	Thirty five individuals	368,611	313,958	313,958	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,100,000	1,100,000	1,100,000	-	Real estate	Note 2
	Everest Textile Co., Ltd.	644,144	368,117	368,117	-	Real estate	Note 2
	Others (Note 1)	592,445	58,645	58,645	-	Real estate, stock unlisted on TWSE, certificates of deposits and stock listed on TWSE	Note 2
			$ 1,845,044	$ 1,845,044	$ -		
For the nine months ended September 30, 2020							
Consumer loans	Four individuals	2,452	$ 1,634	$ 1,634	$ -	Unsecured loan	Note 2
Loans for residential mortgage	Thirty two individuals	377,214	333,966	333,966	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,750,000	950,000	950,000	-	Real estate	Note 2
	Everest Textile Co., Ltd	351,417	351,417	351,417	-	Real estate	Note 2
	Others (Note 1)	3,416,545	29,646	29,646	-	Real estate, stock unlisted on TWSE, machinery, certificates of deposits and stock listed on TWSE	Note 2
			$ 1,666,663	$ 1,666,663	$ -		

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.

The information related to the above loans are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest revenues	$ 4,975	$ 4,765	$ 12,840	$ 21,228
Interest rate	0.48%-1.87%	0.63%-2.23%	0.48%-1.87%	0.63%-3.22%
Provision for (reversal of) possible losses	$ (898)	$ (5,455)	$ 4,624	$ (19,614)

Balances of related allowance for possible losses were $20,020 thousand and $18,336 thousand as of September 30, 2021 and 2020, respectively.

c. Guarantees

Related Party	Highest Balance in Current Period	Ending Balance	Reserve for Guarantee Obligations	Interest Rate	Collateral
For the nine months ended September 30, 2021					
Far Eastern International Leasing Corp.	$ 700,000	$ 501,000	$ 5,010	0.30%	Real estate
U-Ming Marine Transport Corp.	550,000	550,000	5,500	0.40%	Stock listed on TWSE
Der Ching Investment Corporation	180,000	180,000	1,800	0.50%-0.55%	Stock listed on TWSE
Others (Note)	367,200	325,000	3,250	0.50%-0.80%	Real estate, stock listed on TWSE and stock unlisted on TWSE
		$ 1,556,000	$ 15,560		
For the nine months ended September 30, 2020					
Far Eastern International Leasing Corp.	700,000	$ 700,000	$ 7,000	0.30%	Real estate
U-Ming Marine Transport Corp.	600,000	600,000	6,000	0.40%-0.45%	Ship and certificates of deposits
Others (Note)	541,200	511,200	5,112	0.50%-0.80%	Real estate, machinery, stock listed on TWSE and stock unlisted on TWSE
		$ 1,811,200	$ 18,112		

Note: The individual amount does not exceed 10% of the total disclosure amount.

d. Derivative instruments (Note 8)

Related Party	Derivative Instrument	Contract Period	Nominal Amount	Valuation Gain (Loss) For the Three Months Ended September 30	Valuation Gain (Loss) For the Nine Months Ended September 30	Balance Sheet Account	Balance Sheet Balance
For the nine months ended September 30, 2021							
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27-2028.01.10	$ 2,638,039	$ (20,157)	$ (86,066)	Financial assets at FVTPL	$ 172,409
Far Eastern New Century Corp.	Forward exchange contracts	2021.06.22-2021.12.22	1,247,792	(5,255)	(6,736)	Financial assets at FVTPL	3,502
						Financial liabilities at FVTPL	10,238
For the nine months ended September 30, 2020							
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27-2028.01.10	3,165,523	(17,794)	282,111	Financial assets at FVTPL	281,835
Asia Cement Corp.	Cross-currency swap contracts	2018.12.25-2021.09.15	436,890	2,327	(1,173)	Financial assets at FVTPL	19,924
Far Eastern New Century Corp.	Forward exchange contracts	2020.07.28-2020.11.30	894,530	(5,867)	(1,216)	Financial assets at FVTPL	1,765
						Financial liabilities at FVTPL	2,981

e. Deposits

	September 30, 2021	December 31, 2020	September 30, 2020
Deposits of related parties (each account balance did not exceed 5% of total deposits)	$ 54,398,611	$ 55,280,436	$ 51,280,837
Interest rate	0%-5.84%	0%-5.84%	0%-5.84%

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest expenses	$ 44,093	$ 68,799	$ 139,039	$ 275,365

f. Acquisition of equipment

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
New Century InfoComm Tech Co., Ltd.	$ -	$ -	$ 10,846	$ 1,473

g. Lessee agreements

	September 30, 2021	December 31, 2020	September 30, 2020
Lease liabilities - Yuan Ding Co., Ltd.	$ 180,707	$ -	$ 24,801
Lease liabilities - Pacific SOGO Department Stores Corp.	16,973	20,826	22,104
Lease liabilities - Far Eastern Department Store Corp.	14,126	17,242	18,253
	$ 211,806	$ 38,068	$ 65,158

The Bank and its subsidiaries rented part of its office premises from Yuan Ding Co., Ltd., Pacific SOGO Department Stores Corp. and Far Eastern Department Store Corp. The terms of lease were determined by agreements between each other. The lease expenses were payable monthly.

h. Service fee expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Refund from credit card				
Ding Ding Integrated Marketing Service Co.	$ 18,885	$ 22,830	$ 84,016	$ 85,904
Far Eastern Department Store Corp.	2,040	4,508	12,934	14,110
Promotion Service fee - Far EasTone Telecommunications Corporation	-	-	-	32,473
	$ 20,925	$ 27,338	$ 96,950	$ 132,487

i. Operating expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Marketing and advertising				
Far Eastern Department Store Corp.	$ 23,115	$ 24,812	$ 66,011	$ 86,364
Pacific SOGO Department Stores Corp.	6,660	17,432	57,004	46,383
	$ 29,775	$ 42,244	$ 123,015	$ 132,747

j. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	$ 47,256	$ 48,007	$ 135,014	$ 148,404
Post-employment benefits	1,035	601	3,051	1,817
	$ 48,291	$ 48,608	$ 138,065	$ 150,221

39. PLEDGED ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at FVTOCI -			
Government bonds	$ 3,589,804	$ 3,651,851	$ 3,665,715
Negotiable certificates of deposits	3,390,837	2,901,317	2,910,359
Other financial assets - deposits with original maturity more than 3 months	861,640	876,400	854,800
Due from the Central Bank and other banks - New Taiwan dollar reserve deposits - Type B	500,000	500,000	500,000
	$ 8,342,281	$ 7,929,568	$ 7,930,874

The government bonds had been provided as the reserve for compensation of trust department as well as security deposits for provisional seizures of the debtors' properties. The negotiable certificates of deposits 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 been provided as collaterals for overdraft of domestic CNY settlement. New Taiwan dollar reserve deposits - Type B had been used as collaterals to apply for financing of project loans to small and medium enterprises affected by the COVID-19.

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 44, the Bank and its subsidiaries contingent liabilities and commitments resulting from operating activities as of September 30, 2021, December 31, 2020 and September 30, 2020 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

	September 30, 2021	December 31, 2020	September 30, 2020
Assets			
Deposits in banks	$ 9,480,865	$ 6,412,823	$ 6,124,313
Accounts receivable	42,189	1,948	8,679
Funds	46,124,605	43,573,775	43,663,303
Equity stocks	4,879,271	4,754,620	4,309,954
Real estate, net			
Land	8,555,709	4,516,109	4,186,638
Building	57,564	8,155	27,229
Construction in progress	2,902,389	1,781,096	1,422,336
Intangible assets			
Superficies	13,471	-	-
Marketable securities in custody	16,098,712	15,496,986	16,068,763
Others	2,524,484	2,310,558	2,284,026
	$ 90,679,259	$ 78,856,070	$ 78,095,241
Liabilities			
Accounts payable	$ 1,643	$ 1,716	$ 1,584
Income tax payable	103	108	170
Marketable securities in custody payable	16,098,712	15,496,986	16,068,763
Trust capital	73,262,872	62,020,666	61,092,514
Reserve and earnings			
Net income or loss for current period	3,862,981	1,603,731	528,764
Accumulated profit or loss	(2,547,083)	(267,169)	404,302
Exchange	31	32	(856)
	$ 90,679,259	$ 78,856,070	$ 78,095,241

Income Statements of Trust Accounts

	For the Nine Months Ended September 30 2021	2020
Trust revenue		
Interest	$ 18,208	$ 24,741
Cash dividends	2,855,454	1,587,197
Realized capital gain - Funds	2,633,192	1,054,225
Unrealized capital gain - Common stock	24,889	-
Unrealized capital gain - Funds	16,224	4,625
	5,547,967	2,670,788
Trust expenses		
Management	57,420	35,731
Supervision	96	143
Service charges	227,194	137,807
Taxes	87,885	7,316
Realized capital loss - Funds	1,295,387	1,226,744
Unrealized capital loss - Common stock	-	728,313
Unrealized capital loss - Funds	16,782	5,685
	1,684,764	2,141,739
Net income before tax	3,863,203	529,049
Income tax	222	285
Net income	$ 3,862,981	$ 528,764

Trust Asset Lists

	September 30, 2021	December 31, 2020	September 30, 2020
Deposits in banks	$ 9,480,865	$ 6,412,823	$ 6,124,313
Funds	46,124,605	43,573,775	43,663,303
Equity stocks	4,879,271	4,754,620	4,309,954
Accounts receivable	42,189	1,948	8,679
Real estate, net			
Land	8,555,709	4,516,109	4,186,638
Building	57,564	8,155	27,229
Construction in progress	2,902,389	1,781,096	1,422,336
Intangible assets			
Superficies	13,471	-	-
Marketable securities in custody	16,098,712	15,496,986	16,068,763
Others	2,524,484	2,310,558	2,284,026
	$ 90,679,259	$ 78,856,070	$ 78,095,241

As of September 30, 2021, December 31, 2020 and September 30, 2020, funds amounting to $1,101,685 thousand, $1,048,795 thousand and $1,016,395 thousand, respectively, had been recognized in the OBU’s books as investment in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

41. 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 the amount of $244,563 thousand distributed in the reorganization process of Allied Material Technology Co. plus interest to other creditor banks. After appealing, the Supreme Court remanded the case to the Taiwan High Court in December 2018. The Taiwan High Court's judgment upheld the aforesaid indemnity in January 2021. The Bank has appealed to the Supreme Court in March 2021. Based on attorney's assessment of the remand, there is a certain chance that the Bank will win the litigation. Accordingly, the related liabilities have not been accrued on the financial reports.

42. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2021			December 31, 2020			September 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets									
Monetary items									
USD	$ 4,236,017	27.866	$ 118,040,856	$ 3,669,358	28.508	$ 104,606,058	$ 4,046,793	29.126	$ 117,866,887
HKD	2,658,306	3.578	9,512,217	2,312,741	3.678	8,506,261	3,504,356	3.758	13,169,371
CNY	1,276,244	4.308	5,498,313	2,191,586	4.382	9,603,530	901,504	4.274	3,853,027
EUR	102,158	32.344	3,304,207	105,427	35.050	3,695,216	61,845	34.160	2,112,631
AUD	127,347	20.093	2,558,751	103,490	21.990	2,275,745	109,836	20.720	2,275,792
ZAR	913,640	1.844	1,684,752	1,025,301	1.948	1,997,286	1,147,255	1.720	1,973,279
JPY	6,283,233	0.249	1,565,153	6,913,596	0.276	1,910,918	6,118,670	0.276	1,687,529
SGD	18,872	20.484	386,575	59,017	21.580	1,273,597	41,282	21.260	877,658
GBP	5,168	37.456	193,587	5,043	38.920	196,259	6,655	37.320	248,374
CAD	7,976	21.918	174,806	8,865	22.360	198,221	11,390	21.730	247,503
NZD	8,122	19.189	155,851	7,079	20.600	145,826	6,620	19.160	126,841
PLN	20	6.999	137	808	7.665	6,197	30,001	7.553	226,598
Financial liabilities									
Monetary items									
USD	4,121,598	27.866	114,852,445	3,548,539	28.508	101,161,750	3,883,876	29.126	113,121,763
HKD	2,698,819	3.578	9,657,184	2,422,617	3.678	8,910,385	3,547,023	3.758	13,329,714
CNY	1,226,311	4.308	5,283,193	2,175,429	4.382	9,532,730	894,959	4.274	3,825,054
EUR	108,476	32.344	3,508,570	104,058	35.050	3,647,223	61,221	34.160	2,091,326
AUD	131,236	20.093	2,636,903	104,009	21.990	2,287,158	110,634	20.720	2,292,345
ZAR	918,476	1.844	1,693,670	1,055,622	1.948	2,056,352	1,161,824	1.720	1,998,337
JPY	6,073,100	0.249	1,512,809	7,041,930	0.276	1,946,390	6,195,464	0.276	1,708,709
SGD	18,780	20.484	384,704	58,970	21.580	1,272,572	41,304	21.260	878,126
GBP	4,600	37.456	172,313	5,027	38.920	195,633	6,395	37.320	238,662
CAD	7,078	21.918	155,130	7,881	22.360	176,210	11,603	21.730	252,137
NZD	7,642	19.189	146,639	7,789	20.600	160,459	6,606	19.160	126,579
PLN	-	6.999	-	808	7.665	6,191	30,000	7.553	226,593

43. 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 (Generally, the transaction price will equal the fair value). All financial instruments are subsequently measured at fair value except for financial instruments which are valued at amortized cost.

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 a specialized department which independent of business 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") (under zero default rate of the Bank), loss given default (the "LGD") and the exposure at default (the "EAD") of the 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 reflect the credit risk of the counterparty and the credit quality of the Bank respectively and incorporate credit risk adjustments into measuring the fair value of financial instruments, the Bank use the appropriate ratio of LGD and PD that follows the advice of "The disclosure guidelines of CVA and DVA under IFRS 13" issued by the TWSE, and calculate the counterparty's EAD based on the fair value of over-the-counter derivatives transaction.

4) 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:

	September 30, 2021			
Financial Instruments	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL				
Bonds investments	$ 14,880,863	$ 14,880,863	$ -	$ -
Equity investments	705,030	705,030	-	-
Beneficiary certificates	94,573	94,573	-	-
Financial assets at FVTOCI				
Equity instruments	1,434,918	1,154,343	-	280,575
Debt instruments				
Bonds investments	76,659,394	76,659,394	-	-
Bills investments	69,698,549	-	69,698,549	-
Financial liabilities held for trading				
Short-covering debentures	(149,056)	(149,056)	-	-
Derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL	3,193,826	22	3,124,808	68,996
Financial liabilities at FVTPL	(2,604,490)	(1,193)	(2,597,205)	(6,092)
Hybrid contract				
Financial assets mandatorily at FVTPL	14,290,993	155,411	14,135,582	-
	$ 178,204,600	$ 93,499,387	$ 84,361,734	$ 343,479

	December 31, 2020			
Financial Instruments	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL				
Bonds investments	$ 11,750,113	$ 11,750,113	$ -	$ -
Equity investments	673,149	673,149	-	-
Beneficiary certificates	234,854	234,854	-	-
Financial assets at FVTOCI				
Equity instruments	1,384,272	1,088,114	-	296,158
Debt instruments				
Bonds investments	71,191,440	71,191,440	-	-
Bills investments	105,083,961	-	105,083,961	-
Derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL	5,993,282	878	5,855,925	136,479
Financial liabilities at FVTPL	(5,196,435)	-	(5,196,196)	(239)
Hybrid contract				
Financial assets mandatorily at FVTPL	13,106,038	183,304	12,922,734	-
	$ 204,220,674	$ 85,121,852	$ 118,666,424	$ 432,398

Financial Instruments	September 30, 2020 Total	Level 1	Level 2	Level 3
Non-derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL				
Bonds investments	$ 11,757,317	$ 11,757,317	$ -	$ -
Equity investments	487,103	487,103	-	-
Financial assets at FVTOCI				
Equity instruments	1,317,478	1,038,296	-	279,182
Debt instruments				
Bonds investments	69,339,047	69,339,047	-	-
Bills investments	77,442,144	-	77,442,144	-
Derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL	4,408,088	1,016	4,289,741	117,331
Financial liabilities at FVTPL	(4,268,431)	-	(4,259,439)	(8,992)
Hybrid contract				
Financial assets mandatorily at FVTPL	16,268,381	171,167	16,097,214	-
	$ 176,751,127	$ 82,793,946	$ 93,569,660	$ 387,521

2) Transfers between Levels 1 and level 2

There was no transfer between Level 1 and Level 2 for the nine months ended September 30, 2021 and 2020.

3) Level 3 financial instruments

a) Movement of Level 3 financial assets

For the Nine Months Ended September 30, 2021

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	$ 136,479	$ (26,552)	$ -	$ 10,499	$ -	$ (51,430)	$ -	$ 68,996
Financial assets at FVTOCI	296,158	-	(22,629)	7,046	-	-	-	280,575
Total	$ 432,637	$ (26,552)	$ (22,629)	$ 17,545	$ -	$ (51,430)	$ -	$ 349,571

For the Nine Months Ended September 30, 2020

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	$ 121,473	$ 840	$ -	$ 3,081	$ -	$ (8,063)	$ -	$ 117,331
Financial assets at FVTOCI	319,751	-	(40,569)	-	-	-	-	279,182
Total	$ 441,224	$ 840	$ (40,569)	$ 3,081	$ -	$ (8,063)	$ -	$ 396,513

b) Movements of Level 3 financial liabilities

For the Nine Months Ended September 30, 2021

Item	Beginning Balance	Valuation Included in Profit or Loss	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	$ 239	$ (239)	$ 6,092	$ -	$ -	$ -	$ 6,092

For the Nine Months Ended September 30, 2020

Item	Beginning Balance	Valuation Included in Profit or Loss	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	$ 1,815	$ 5,091	$ 2,431	$ -	$ (345)	$ -	$ 8,992

c) Related information of significant unobservable parameters used in fair value measurement

Level 3 financial instruments mainly consist of credit default swap and part of 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	Valuation Techniques	Significant Unobservable Parameters	Interval	Relationship Between Parameters and Fair Value
Derivative financial assets					
September 30, 2021	$ 68,996	Default probability model	Credit separation	0.70%-2.00%	The increase of credit separation decreases its fair value.
December 31, 2020	136,479	Default probability model	Credit separation	0.40%-2.23%	The increase of credit separation decreases its fair value.
September 30, 2020	117,331	Default probability model	Credit separation	0.40%-2.30%	The increase of credit separation decreases its fair value.
Investments in equity					
September 30, 2021	249,089	Income approach - cash dividend discount method	Without open market marketable discount	19.63%	The increase of discount decreases its fair value
	20,372	Market approach - comparable listed or TPEx company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,114	Net asset value method	Net asset value	N/A	The increase of net asset value increases its fair value
December 31, 2020	272,483	Income approach - cash dividend discount method	Without open market marketable discount	19.78%	The increase of discount decreases its fair value
	12,287	Market approach - analogy company law	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,388	Net asset value method	Net asset value	N/A	The increase of net asset value increases its fair value
September 30, 2020	254,314	Income approach - cash dividend discount method	Without open market marketable discount	19.85%	The increase of discount decreases its fair value
	14,225	Market approach - comparable listed or TPEx company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	10,643	Net asset value method	Net asset value	N/A	The increase of net asset value increases its fair value
Derivative financial liabilities					
September 30, 2021	6,092	Default probability model	Credit separation	0.70%-2.00%	The increase of credit separation decreases its fair value.
December 31, 2020	239	Default probability model	Credit separation	0.40%-2.23%	The increase of credit separation decreases its fair value.
September 30, 2020	8,992	Default probability model	Credit separation	0.40%-2.30%	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 of fair value on the profit or loss for the current period would have been as follows:

Item	Impact on Gain and Loss					
	September 30, 2021		December 31, 2020		September 30, 2020	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Assets						
Mandatorily at FVTPL	$ 877	$ (2,462)	$ 1,219	$ (4,374)	$ 3,217	$ (4,829)
Liabilities						
Financial liabilities at FVTPL	733	(733)	41	(41)	436	(436)

Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact of fair value on other comprehensive income or loss for the current period would have been as follows:

Item	Impact on Other Comprehensive Income and Losses					
	September 30, 2021		December 31, 2020		September 30, 2020	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Assets						
Financial assets at FVTOCI	$ -	$ (59)	$ 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 considers that the book value of financial assets and liabilities which are 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:

September 30, 2021

	Book Value	Fair Value	The Fair Value Hierarchy of Financial Instruments	
			Level 1	Level 2
Financial asset				
Investments in debt instrument at amortized cost	$ 498,629	$ 510,888	$ 510,888	$ -
Financial liabilities				
Bank debentures	25,001,900	25,124,699	-	25,124,699

December 31, 2020

	Book Value	Fair Value	The Fair Value Hierarchy of Financial Instruments	
			Level 1	Level 2
Financial asset				
Investments in debt instrument at amortized cost	$ 1,077,764	$ 1,099,779	$ 1,099,779	$ -
Financial liabilities				
Bank debentures	22,601,900	22,723,096	-	22,723,096

September 30, 2020

	Book Value	Fair Value	The Fair Value Hierarchy of Financial Instruments	
			Level 1	Level 2
Financial asset				
Investments in debt instrument at amortized cost	$ 1,884,531	$ 1,912,827	$ 1,912,827	$ -
Financial liabilities				
Bank debentures	25,001,900	25,137,306	-	25,137,306

The evaluation methods and assumptions for Level 2 financial instruments above are quoted from the offering price of OTC.

44. FINANCIAL RISK MANAGEMENT

a. Overview

The Bank's risk management policy is to form a risk management-oriented culture, and to use both qualitative (such as each operating procedures) and quantitative (such as asset quality ratios) 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.

Each subsidiary has its own risk management mechanism to identify, measure, monitor, and control the credit risk, liquidity risk, and market risk.

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.

Assets and Liabilities 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 Group comprises Aggregate Risk Department, Corporate Banking Department and Consumer Banking Department 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 Group 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:

<u>Qualitative Index</u>

The debtor's payment is overdue for 30-89 days.

<u>Quantitative Index</u>

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:

<u>Qualitative Index</u>

The debtor's payment is overdue for more than 90 days.

<u>Quantitative Index</u>

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 its subsidiaries 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 weighted-average prediction value by at least 2 macroeconomic prediction authorities to calculate.

ii. The investments in debt instrument at amortized cost and at FVTOCI

The measurement of expected credit loss was based on 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 it assessed the credit rating.

4) Credit risk hedging and mitigation policies

a) When contracting, 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) When a risk occurs, 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:

	September 30, 2021	December 31, 2020	September 30, 2020
Unused portion of credit card lines	$ 199,658,772	$ 197,805,517	$ 196,967,011
Guarantees and standby L/Cs	25,351,045	27,721,592	28,299,000
Irrevocable loan commitments	14,224,860	14,286,387	15,225,926

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:

September 30, 2021

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
Balance sheet items				
Discounts and loans	$ 267,756,084	$ 69,350,928	$ 95,993,526	$ 433,100,538
Receivables - credit card	-	-	11,621,657	11,621,657
Receivables - acceptances	268,034	67,226	104,318	439,578
Off-balance sheet items				
Unused portion of credit card lines	-	-	199,658,772	199,658,772
Guarantee	7,541,451	5,906,325	10,601,515	24,049,291
Letters of credit issued	133,581	647,250	520,923	1,301,754
Irrevocable loan commitments	588,368	-	13,636,492	14,224,860
	$ 276,287,518	$ 75,971,729	$ 332,137,203	$ 684,396,450

December 31, 2020

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
Balance sheet items				
Discounts and loans	$ 258,597,463	$ 56,166,720	$ 74,092,529	$ 388,856,712
Receivables - credit card	-	-	13,875,508	13,875,508
Receivables - acceptances	205,826	35,510	660,550	901,886

(Continued)

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
Off-balance sheet items				
Unused portion of credit card lines	$ -	$ -	$ 197,805,517	$ 197,805,517
Guarantee	8,533,490	8,886,725	9,171,368	26,591,583
Letters of credit issued	26,822	731,399	371,788	1,130,009
Irrevocable loan commitments	95,804	-	14,190,583	14,286,387
	$ 267,459,405	$ 65,820,354	$ 310,167,843	$ 643,447,602

(Concluded)

September 30, 2020

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
Balance sheet items				
Discounts and loans	$ 261,471,917	$ 62,008,360	$ 82,648,909	$ 406,129,186
Receivables - credit card	-	-	12,673,669	12,673,669
Receivables - acceptances	-	82,015	354,307	436,322
Off-balance sheet items				
Unused portion of credit card lines	-	-	196,967,011	196,967,011
Guarantee	10,806,700	8,018,666	8,785,828	27,611,194
Letters of credit issued	130,046	340,293	217,467	687,806
Irrevocable loan commitments	668,388	-	14,557,538	15,225,926
	$ 273,077,051	$ 70,449,334	$ 316,204,729	$ 659,731,114

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.

Stage 3 impaired financial assets

Refer to Notes 13 and 14 for the credit impairment of Stage 3 financial assets. The information of provision for allowance for possible losses amount, collateral fair value and other credit enhancements which reduce their potential loss are as below. The provision for allowance for possible losses takes into consideration the fair value of collateral, other credit enhancements amount and the recoverable amount in the future.

	Carrying Amount	Allowance for Possible Losses Under IFRS 9	Collateral Fair Value and Other Credit Enhancements
September 30, 2021			
Receivables			
Credit cards	$ 1,074,373	$ 358,719	$ -
Others	30,398	12,367	2,319
Discounts and loans	3,206,467	1,005,762	1,386,121
	$ 4,311,238	$ 1,376,848	$ 1,388,440

	Carrying Amount	Allowance for Possible Losses Under IFRS 9	Collateral Fair Value and Other Credit Enhancements
December 31, 2020			
Receivables			
Credit cards	$ 1,148,054	$ 363,988	$ -
Others	30,913	12,319	2,590
Discounts and loans	4,373,009	1,633,428	2,329,034
	$ 5,551,976	$ 2,009,735	$ 2,331,624

	Carrying Amount	Allowance for Possible Losses Under IFRS 9	Collateral Fair Value and Other Credit Enhancements
September 30, 2020			
Receivables			
Credit cards	$ 1,169,709	$ 367,707	$ -
Others	30,483	12,313	2,267
Discounts and loans	4,179,669	1,235,364	2,567,962
	$ 5,379,861	$ 1,615,384	$ 2,570,229

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

Industry Sector	September 30, 2021 Amount	%	December 31, 2020 Amount	%	September 30, 2020 Amount	%
Finance and insurance	$ 59,098,093	14	$ 50,871,153	13	$ 54,389,535	13
Manufacturing	52,999,548	12	38,496,332	10	46,654,410	11
Real estate	31,032,857	7	23,020,517	6	23,857,373	6
	$ 143,130,498	33	$ 112,388,002	29	$ 124,901,318	30

b) By geography

Region	September 30, 2021 Amount	%	December 31, 2020 Amount	%	September 30, 2020 Amount	%
Taiwan	$ 377,706,263	87	$ 337,835,560	87	$ 346,285,944	85
Asia Pacific except Taiwan	32,990,687	8	27,282,587	7	31,229,182	8
Others	22,403,588	5	23,738,565	6	28,614,060	7
	$ 433,100,538	100	$ 388,856,712	100	$ 406,129,186	100

c) By type of collaterals

Type of Collaterals	September 30, 2021 Amount	%	December 31, 2020 Amount	%	September 30, 2020 Amount	%
Unsecured	$ 165,344,454	38	$ 130,259,249	34	$ 144,657,269	36
Secured						
Real estate	230,802,760	54	221,161,171	57	221,772,067	54
Financial collateral	18,518,060	4	16,860,409	4	18,095,862	4
Movable property	17,224,033	4	18,984,983	5	19,431,493	5
Others	1,211,231	-	1,590,900	-	2,172,495	1
	$ 433,100,538	100	$ 388,856,712	100	$ 406,129,186	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, refundable deposits and operating deposits, are assessed with low credit risk due to the good credit rating of the counterparties.

d. Management of 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 Assets and Liabilities 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 and securities purchased under resale agreements for which there is an active and liquid market and maintain legal ratio related to liquidity.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Bank's liquidity reserve ratios were 35.51%, 37.53% and 33.66%, respectively.

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.

September 30, 2021	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	$ 838,303	$ 90,499	$ -	$ -	$ -	$ 928,802
Funds borrowed from the Central Bank and other banks	-	-	40,540	19,400	-	59,940
Securities sold under repurchase agreement	4,991	-	-	-	-	4,991
Short-covering debentures	-	-	-	-	149,056	149,056
Payables	4,289,566	1,151,403	486,563	633,867	863,614	7,425,013
Deposits and remittances	86,966,112	106,080,638	116,739,989	124,549,436	159,501,194	593,837,369
Bank debentures	-	1,100,000	-	3,000,000	20,901,900	25,001,900
Principal received on structured products	628,747	90,676	137,645	62,559	20,111,474	21,031,101
Other financial liabilities	390,000	130,000	-	-	438,707	958,707
Lease liabilities	29,246	70,302	101,125	171,675	704,632	1,076,980
Total	$ 93,146,965	$ 108,713,518	$ 117,505,862	$ 128,436,937	$ 202,670,577	$ 650,473,859

December 31, 2020	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	$ 683,042	$ 301,797	$ -	$ -	$ -	$ 984,839
Funds borrowed from the Central Bank and other banks	-	15,040	-	7,300	-	22,340
Securities sold under repurchase agreement	3,532,088	-	-	-	-	3,532,088
Payables	1,714,117	1,262,651	920,883	440,179	960,049	5,297,879
Deposits and remittances	99,562,992	111,349,138	89,134,736	135,042,863	147,063,182	582,152,911
Bank debentures	1,900	-	-	1,100,000	21,500,000	22,601,900
Principal received on structured products	90,131	55,308	-	17,105	8,028,077	8,190,621
Other financial liabilities	150,000	310,000	-	-	408,350	868,350
Lease liabilities	39,706	46,936	65,018	123,423	579,430	854,513
Total	$ 105,773,976	$ 113,340,870	$ 90,120,637	$ 136,730,870	$ 178,539,088	$ 624,505,441

September 30, 2020	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	$ 1,750,947	$ 1,227,691	$ -	$ -	$ -	$ 2,978,638
Funds borrowed from the Central Bank and other banks	-	-	15,040	1,800	-	16,840
Securities sold under repurchase agreement	5,091,827	-	-	-	-	5,091,827
Payables	3,102,104	1,213,597	582,806	679,724	965,695	6,543,926
Deposits and remittances	84,022,708	94,232,676	111,344,466	128,211,997	139,536,629	557,348,476
Bank debentures	1,900	4,000,000	-	-	21,000,000	25,001,900
Principal received on structured products	35,870	175,182	29,126	26,213	14,157,931	14,424,322
Other financial liabilities	250,000	380,000	-	-	474,049	1,104,049
Lease liabilities	30,542	73,842	84,211	122,545	595,967	907,107
Total	$ 94,285,898	$ 101,302,988	$ 112,055,649	$ 129,042,279	$ 176,730,271	$ 613,417,085

Note: The amounts disclosed in the tables are the contractual cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

Maturity analysis of demand deposits in “deposits and remittances” are allocated to each period based on historical experience. If all demand deposits were required to be paid off in recent period, the cash outflows on period of due in 30 days would have been $286,014,137 thousand, $277,960,559 thousand and $256,400,600 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

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
September 30, 2021	$ 293,918	$ 193,365	$ 217,349	$ 704,632
December 31, 2020	$ 196,823	$ 153,548	$ 229,059	$ 579,430
September 30, 2020	$ 202,283	$ 152,031	$ 241,653	$ 595,967

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). Maturity analysis of derivative financial liabilities that will be settled on a net basis is as follows:

September 30, 2021	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	$ 431	$ 262	$ 614	$ 1,895	$ -	$ 3,202
Interest rate derivatives	1,049	7,906	19,604	34,298	810,134	872,991
Total	$ 1,480	$ 8,168	$ 20,218	$ 36,193	$ 810,134	$ 876,193

December 31, 2020	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	$ 1,011	$ 2,434	$ 2,407	$ 3,702	$ -	$ 9,554
Interest rate derivatives	4,744	-	5,277	31,878	1,069,781	1,111,680
Total	$ 5,755	$ 2,434	$ 7,684	$ 35,580	$ 1,069,781	$ 1,121,234

September 30, 2020	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	$ 1,593	$ 10,549	$ 3,367	$ 3,285	$ -	$ 18,794
Interest rate derivatives	643	4,940	2,312	22,856	1,372,374	1,403,125
Total	$ 2,236	$ 15,489	$ 5,679	$ 26,141	$ 1,372,374	$ 1,421,919

Note: The amounts disclosed in the table are the contractual 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 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:

September 30, 2021	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	$ 55,586,719	$ 73,591,460	$ 72,819,204	$ 26,966,226	$ 2,434,383	$ 231,397,992
Cash inflow	55,248,315	73,141,452	72,511,187	26,871,645	2,424,342	230,196,941
Interest rate derivatives						
Cash outflow	305,300	-	-	-	1,965,280	2,270,580
Cash inflow	278,660	-	-	-	1,950,250	2,228,910
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	3,186	3,245	6,489	50,349	63,269
Subtotal of cash outflow	55,892,019	73,591,460	72,819,204	26,966,226	4,399,663	233,668,572
Subtotal of cash inflow	55,526,975	73,144,638	72,514,432	26,878,134	4,424,941	232,489,120
Net cash flow	$ (365,044)	$ (446,822)	$ (304,772)	$ (88,092)	$ 25,278	$ (1,179,452)

December 31, 2020	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	$ 52,914,347	$ 93,879,213	$ 41,960,565	$ 24,974,432	$ 357,085	$ 214,085,642
Cash inflow	52,007,208	92,342,257	41,506,788	24,600,624	348,582	210,805,459
Interest rate derivatives						
Cash outflow	1,798,900	-	-	305,300	-	2,104,200
Cash inflow	1,710,480	-	-	285,080	-	1,995,560
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	748	748	1,497	1,351	4,344
Subtotal of cash outflow	54,713,247	93,879,213	41,960,565	25,279,732	357,085	216,189,842
Subtotal of cash inflow	53,717,688	92,343,005	41,507,536	24,887,201	349,933	212,805,363
Net cash flow	$ (995,559)	$ (1,536,208)	$ (453,029)	$ (392,531)	$ (7,152)	$ (3,384,479)

September 30, 2020	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	$ 69,200,927	$ 64,109,442	$ 59,784,077	$ 27,271,454	$ 2,138,390	$ 222,504,290
Cash inflow	68,540,120	63,424,174	59,130,234	27,292,643	2,113,763	220,500,934
Interest rate derivatives						
Cash outflow	-	1,213,500	1,798,900	-	305,300	3,317,700
Cash inflow	-	1,165,040	1,747,560	-	291,260	3,203,860
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	2,518	2,490	4,981	26,538	36,527
Subtotal of cash outflow	69,200,927	65,322,942	61,582,977	27,271,454	2,443,690	225,821,990
Subtotal of cash inflow	68,540,120	64,591,732	60,880,284	27,297,624	2,431,561	223,741,321
Net cash flow	$ (660,807)	$ (731,210)	$ (702,693)	$ 26,170	$ (12,129)	$ (2,080,669)

Note: The amounts disclosed in the table are the contractual 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 can be withdrawn or required to realize on the basis of their earliest possible contractual maturity is as follows:

September 30, 2021	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	$ 14,224,860	$ -	$ -	$ -	$ -	$ 14,224,860
Irrevocable credit card commitments	199,658,772	-	-	-	-	199,658,772
Issued but unused letters of credit	1,301,754	-	-	-	-	1,301,754
Other guarantees	13,460,391	8,735,900	1,153,000	-	700,000	24,049,291
Total	$ 228,645,777	$ 8,735,900	$ 1,153,000	$ -	$ 700,000	$ 239,234,677

December 31, 2020	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	$ 14,286,387	$ -	$ -	$ -	$ -	$ 14,286,387
Irrevocable credit card commitments	197,805,517	-	-	-	-	197,805,517
Issued but unused letters of credit	1,130,009	-	-	-	-	1,130,009
Other guarantees	19,779,883	6,111,700	-	-	700,000	26,591,583
Total	$ 233,001,796	$ 6,111,700	$ -	$ -	$ 700,000	$ 239,813,496

September 30, 2020	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	$ 15,225,926	$ -	$ -	$ -	$ -	$ 15,225,926
Irrevocable credit card commitments	196,967,011	-	-	-	-	196,967,011
Issued but unused letters of credit	687,806	-	-	-	-	687,806
Other guarantees	15,761,794	10,819,900	629,500	-	400,000	27,611,194
Total	$ 228,642,537	$ 10,819,900	$ 629,500	$ -	$ 400,000	$ 240,491,937

e. Management of 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 and measure 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 information of market risk and implementation are managed, monitored and disclosed by the Risk Management Group. 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, Vega) 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 Group 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.

a) Management process and valuation methods of interest rate risk in trading book

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.

The operation limit of securities and interest rate related derivative instruments are controlled by the notional amount/DV01. The risk of bonds and interest rate related options are additionally measured using Vega. The stop loss limits are controlled on a daily basis.

b) Management process and valuation methods 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.

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.

The identification and measurement of interest rate risk in banking book include re-pricing and yield curve risks, and measure the possible impact of changes in interest rate on profits and losses. The Bank analyzes and monitors position limits and various management indexes of interest risk (such as the ratio of interest rate sensitivity gap over total assets) on a quarterly basis, and the results are submitted regularly to the Assets and Liabilities 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 Assets and Liabilities Management Committee and propose remedial action to be taken.

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 additionally 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 42.

6) Management of equity securities market risk

a) Definition and measurement bases 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. The Bank manages market risk on the basis of closing prices of equity 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.

7) Valuation techniques of market risk

a) Stress tests

Stress tests are performed by the Risk Management Group 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.

Assuming all other variables remain constant, where the interest rate increases/decreases by 1 bps, there would be a decrease of $483 thousand and $1,102 thousand in income before income tax for the nine months ended September 30, 2021. There would be a decrease of $7,066 thousand and an increase of $5,396 thousand in income before income tax for the nine months ended September 30, 2020. There would be a decrease/increase of $17,997 thousand and $11,576 thousand in other comprehensive income for the nine months ended September 30, 2021 and 2020, 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 $188,136 thousand and $208,703 thousand in income before income tax for the nine months ended September 30, 2021 and 2020, 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 $9,689 thousand and $6,583 thousand in income before income tax for the nine months ended September 30, 2021 and 2020 respectively. There would be an increase/decrease of $14,349 thousand and $13,175 thousand in other comprehensive income for the nine months ended September 30, 2021 and 2020, respectively.

f. Interest rate benchmark reform

The financial instruments of the Bank affected by the interest rate benchmarks reform include derivatives and non-derivatives financial assets and liabilities. The linked indicator interest rate types are USD LIBOR, EUR LIBOR, JPY LIBOR, etc.

The Bank gives close attention to the market and the output from the various country working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the UK Financial Conduct Authority (FCA) and Intercontinental Exchange Benchmark Administration (IBA)) regarding the transition from LIBOR to the Secured Overnight Financing Rate (SOFR), the Sterling Overnight Index Average Rate (SONIA), the Euro Short-Term Rate (€STR), the Swiss Average Rate Overnight Rate (SARON) and the Tokyo Overnight Average rate (TONA) respectively.

According to IBA’s announcement on March 5, 2021, one-week and two-month USD LIBOR, GBP LIBOR, EUR LIBOR, CHF LIBOR and JPY LIBOR are expected to be available until the end of 2021, and the remaining USD LIBOR will sure to be available until the end of June 2023.

In response to the reform, the Bank prepared interest rate benchmark transition plan which comprises the following work streams: Risk management, contract management, product management, taxation and accounting, and customer communication. The plan is decided and supervised by the select committee.

Risk exposure caused by the effect of interest rate benchmark reform

1) Pricing risk: Changes in interest rate benchmark reform may also affect the existing financial instrument evaluation mechanism of the Bank, and it may even be necessary to establish a new valuation model for certain financial instruments.

2) Interest rate base risk: If the Bank fails to complete the contract modification negotiation with the counterparty of the financial instrument before the exit of the current interest rate benchmark, there will be significant uncertainty about the interest rate base applicable to the financial instrument in the future. This situation will result in interest rate risk that was not anticipated when the Bank originally signed the contract. The Bank is working to communicate with counterparties to avoid such a situation.

3) Liquidity risk: The alternative interest rate benchmark adopted by the Bank is substantially different from the current interest rate benchmark. For example, LIBOR is a forward-looking interest rate benchmark that implies the market's expectation to the future interest rate movement and includes interbank credit premium. The alternative interest rate benchmark is a backdated interest rate benchmark calculated using actual transaction data and contains no credit premium. The differences will increase the uncertainty of floating interest rate payments and require additional liquidity control. It will be incorporated in the risk management policies of liquidity risk and managed by the Bank.

4) Accounting risk: If the amendments caused by changes in interest rate benchmark reform fail to meet the applicable conditions of IFRS 9's practical expedients, it may result in financial assets or financial liabilities amendment gains and losses. The Bank will deal with the amendment gains and losses of financial instruments under IFRS 9.

5) Regulation risk: The Bank will revise its operating procedures and management indicators to timely comply with the regulations.

6) Operational risk: The Bank is updating its system to handle transactions of alternative interest rate benchmark and ensure the system's ability to process both the old and the new interest rates simultaneously.

Related to existing non-derivative financial instruments that are linked to current interest rate benchmark, the Bank is still giving close attention to the latest implementation of transition provisions announced by the working groups on interest rate benchmark reform. For contracts that are expected to expire after the discontinuation of LIBOR, the Bank has gradually incorporated fallback provisions into the supplementary contracts of the financial instrument contracts since August 2021 to enable the contract-linked interest rate to be converted from the current interest rate to another alternative reference rate at the agreed time.

On September 30, 2021, the non-derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform are summarized as follows:

	Carrying Amount		
Items	**Linked to USD LIBOR**	**Linked to JPY LIBOR**	**Linked to EUR LIBOR**
Assets			
Financial assets at FVTPL	$ 10,109,786	$ -	$ -
Financial assets at FVTOCL	6,933,942	-	-
Debt instrument investment measured at amortized cost	84,596	-	-
Receivables	4,559,664	-	-
Discounts and loans	45,364,341	548,951	578,039
	$ 67,052,329	$ 548,951	$ 578,039
Liabilities			
Principal received on structured products	$ 189,461	$ -	$ -

The derivative financial instruments linked to current interest rate benchmark, the Bank has signed transition clause with its counterparties under the planned schedule to ensure that the derivatives will be adjusted in accordance with the transition clause when the current interest rate benchmark exits.

On September 30, 2021, the derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform are summarized as follows:

Items	Nominal Amount	Carrying Amount - Financial Assets	Carrying Amount - Financial Liabilities
Derivative financial instruments linked to USD LIBOR			
Interest rate swap contracts	$ 20,824,371	$ 462,773	$ 387,753
Cross-currency swap contracts	2,507,940	20,901	38,940
	$ 23,332,311	$ 483,674	$ 426,693

g. Transfer of financial assets

In the daily operations of the Bank, the transactions of the transferred financial assets not eligible for derecognition in full are mainly 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					
September 30, 2021	$ 5,614	$ 4,991	$ 5,614	$ 4,991	$ 623
December 31, 2020	3,714,951	3,530,487	3,714,951	3,530,487	184,464
September 30, 2020	5,369,734	5,089,096	5,369,734	5,089,096	280,638

h. 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			September 30, 2021				
			Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured		$ 367,372	$ 62,220,171	0.59%	$ 802,342	218.40%
	Unsecured		136,874	134,104,201	0.10%	1,596,732	1,166.57%
Consumer Banking	Residential mortgage (Note d)		138,900	134,303,969	0.10%	2,037,290	1,466.73%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		308,048	25,004,041	1.23%	452,380	146.85%
	Others (Note f)	Secured	113,123	71,231,944	0.16%	770,295	680.93%
		Unsecured	-	6,236,212	-	71,490	-
Total			1,064,317	433,100,538	0.25%	5,730,529	538.42%
Business \ Item			Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit card			29,459	11,621,657	0.25%	370,759	1,258.56%
Accounts receivable factored without recourse (Note g)			-	6,219,567	-	69,593	-

Business \ Item			December 31, 2020				
			Nonperforming Loans (Note a)	**Loans**	**Ratio of Nonperforming Loans (Note b)**	**Allowance for Possible Losses**	**Coverage Ratio (Note c)**
Corporate Banking	Secured		$ 988,046	$ 58,752,471	1.68%	$ 809,325	81.91%
	Unsecured		433,773	98,963,450	0.44%	1,396,604	321.97%
Consumer Banking	Residential mortgage (Note d)		106,746	128,879,002	0.08%	2,152,061	2,016.06%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		312,785	25,246,962	1.24%	460,062	147.09%
	Others (Note f)	Secured	135,449	70,965,990	0.19%	774,847	572.06%
		Unsecured	899	6,048,837	0.01%	71,044	7,902.56%
Total			1,977,698	388,856,712	0.51%	5,663,943	286.39%
Business \ Item			**Nonperforming Receivables**	**Accounts Receivable**	**Ratio of Nonperforming Receivables**	**Allowance for Possible Losses**	**Coverage Ratio**
Credit card			38,672	13,875,508	0.28%	387,161	1,001.14%
Accounts receivable factored without recourse (Note g)			-	2,634,064	-	29,002	-

Business \ Item			September 30, 2020				
			Nonperforming Loans (Note a)	**Loans**	**Ratio of Nonperforming Loans (Note b)**	**Allowance for Possible Losses**	**Coverage Ratio (Note c)**
Corporate Banking	Secured		$ 1,074,948	$ 62,402,459	1.72%	$ 1,037,958	96.56%
	Unsecured		365,020	114,149,082	0.32%	1,584,966	434.21%
Consumer Banking	Residential mortgage (Note d)		123,461	128,607,631	0.10%	1,963,451	1,590.34%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		303,066	24,967,714	1.21%	458,948	151.44%
	Others (Note f)	Secured	86,394	70,461,827	0.12%	756,853	876.05%
		Unsecured	815	5,540,473	0.01%	66,034	8,102.33%
Total			1,953,704	406,129,186	0.48%	5,868,210	300.36%
Business \ Item			**Nonperforming Receivables**	**Accounts Receivable**	**Ratio of Nonperforming Receivables**	**Allowance for Possible Losses**	**Coverage Ratio**
Credit card			36,777	12,673,669	0.29%	390,424	1,061.60%
Accounts receivable factored without recourse (Note g)			-	3,724,307	-	27,053	-

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

Business \ Item	September 30, 2021		December 31, 2020		September 30, 2020	
	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	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)	$ 22,910	$ 71,157	$ 30,513	$ 93,417	$ 33,561	$ 102,333
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	1,101,779	879,523	1,032,270	926,253	1,003,405	935,562
Total	1,124,689	950,680	1,062,783	1,019,670	1,036,966	1,037,895

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)	September 30, 2021		
	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 activities	$ 13,530,520	27
2	B Group - 6499 - other financial service activities not elsewhere classified	5,499,728	11
3	C Group - 1159 - manufacture of other textile products	5,032,808	10
4	D Group - 6496 - non-depository financing	4,447,488	9
5	E Group - 6496 - non-depository financing	4,378,720	9
6	F Group - 3510 - electricity supply	4,011,762	8
7	G Group - 4841 - retail sale of motor vehicles in specialized stores	3,893,294	8
8	H Group - 4642 - wholesale of electronic and communication equipment and parts	3,858,602	8
9	I Group - 2411 - smelting and refining of iron and steel	3,278,515	7
10	J Group - 2630 - manufacture of bare printed circuit boards	3,223,997	7

Ranking (Note a)	December 31, 2020		
	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 activities	$ 14,909,000	31
2	C Group - 6499 - other financial service activities not elsewhere classified	4,945,348	10
3	B Group - 6491 - financial leasing	4,573,403	9
4	D Group - 6496 - non-depository financing	4,370,634	9
5	K Group - 6499 - other financial service activities not elsewhere classified	3,101,073	6
6	L Group - 6499 - other financial service activities not elsewhere classified	3,000,000	6
7	F Group - 3510 - electricity supply	2,877,573	6
8	I Group - 2411 - smelting and refining of iron and steel	2,648,034	5
9	M Group - 2611 - manufacture of integrated circuits	2,615,678	5
10	N Group - 4210 - construction of roads and railways	2,570,369	5

Ranking (Note a)	September 30, 2020		
	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 activities	$ 16,226,000	34
2	C Group - 1159 - manufacture of other textile products	5,106,928	11
3	B Group - 6499 - other financial service activities not elsewhere classified	5,039,297	10
4	G Group - 6496 - non-depository financing	4,668,655	10
5	D Group - 6496 - non-depository financing	3,873,406	8
6	I Group - 2411 - smelting and refining of iron and steel	3,112,617	6
7	L Group - 6499 - other financial service activities not elsewhere classified	3,000,000	6
8	F Group - 3510 - electricity supply	2,872,429	6
9	O Group - 6700 - real estate development activities	2,720,450	6
10	N Group - 4210 - construction of roads and railways	2,677,869	6

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
September 30, 2021

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 336,034,346	$ 155,726,469	$ 18,848,624	$ 40,377,227	$ 550,986,666
Interest rate-sensitive liabilities	176,351,081	227,299,662	80,647,768	24,216,989	508,515,500
Interest rate sensitivity gap	159,683,265	(71,573,193)	(61,799,144)	16,160,238	42,471,166
Net worth					49,351,619
Ratio of interest rate-sensitive assets to liabilities					108.35%
Ratio of interest rate-sensitivity gap to net worth					86.06%

Interest Rate Sensitivity Analysis
December 31, 2020

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 334,676,463	$ 151,537,559	$ 10,733,663	$ 41,212,539	$ 538,160,224
Interest rate-sensitive liabilities	181,639,737	185,966,866	94,814,832	29,585,026	492,006,461
Interest rate sensitivity gap	153,036,726	(34,429,307)	(84,081,169)	11,627,513	46,153,763
Net worth					48,743,705
Ratio of interest rate-sensitive assets to liabilities					109.38%
Ratio of interest rate-sensitivity gap to net worth					94.69%

Interest Rate Sensitivity Analysis
September 30, 2020

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 306,560,392	$ 148,187,427	$ 13,680,442	$ 40,016,690	$ 508,444,951
Interest rate-sensitive liabilities	165,094,664	192,571,385	86,928,774	26,228,497	470,823,320
Interest rate sensitivity gap	141,465,728	(44,383,958)	(73,248,332)	13,788,193	37,621,631
Net worth					48,422,580
Ratio of interest rate-sensitive assets to liabilities					107.99%
Ratio of interest rate-sensitivity gap to net worth					77.69%

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
September 30, 2021

(In Thousands of U.S. Dollars)

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,913,218	$ 277,434	$ 71,241	$ 321,929	$ 3,583,822
Interest rate-sensitive liabilities	3,557,257	258,053	194,801	-	4,010,111
Interest rate sensitivity gap	(644,039)	19,381	(123,560)	321,929	(426,289)
Net worth					1,771,033
Ratio of interest rate-sensitive assets to liabilities					89.37%
Ratio of interest rate-sensitivity gap to net worth					(24.07%)

Interest Rate Sensitivity Analysis
December 31, 2020

(In Thousands of U.S. Dollars)

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,542,262	$ 80,388	$ 28,954	$ 392,863	$ 3,044,467
Interest rate-sensitive liabilities	1,007,606	2,314,331	201,202	-	3,523,139
Interest rate sensitivity gap	1,534,656	(2,233,943)	(172,248)	392,863	(478,672)
Net worth					1,709,825
Ratio of interest rate-sensitive assets to liabilities					86.41%
Ratio of interest rate-sensitivity gap to net worth					(28.00%)

Interest Rate Sensitivity Analysis
September 30, 2020

(In Thousands of U.S. Dollars)

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,951,874	$ 89,389	$ 15,389	$ 451,607	$ 3,508,259
Interest rate-sensitive liabilities	1,012,258	2,607,730	209,886	-	3,829,874
Interest rate sensitivity gap	1,939,616	(2,518,341)	(194,497)	451,607	(321,615)
Net worth					1,662,521
Ratio of interest rate-sensitive assets to liabilities					91.60%
Ratio of interest rate-sensitivity gap to net worth					(19.35%)

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 Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Return on total assets	Before tax	0.36%	0.40%
	After tax	0.32%	0.35%
Return on equity	Before tax	5.10%	5.51%
	After tax	4.52%	4.87%
Net income ratio		26.39%	27.31%

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

September 30, 2021

	Total	Amount for Remaining Period to Maturity					
		0 Day to 10 Days	11 Days 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	$ 755,500,563	$ 97,243,711	$ 88,974,548	$ 91,280,546	$ 112,312,162	$ 92,496,548	$ 273,193,048
Main capital outflow on maturity	895,460,921	41,255,089	94,309,172	154,399,326	197,990,896	174,156,233	233,350,205
Gap	(139,960,358)	55,988,622	(5,334,624)	(63,118,780)	(85,678,734)	(81,659,685)	39,842,843

December 31, 2020

	Total	Amount for Remaining Period to Maturity					
		0 Day to 10 Days	11 Days 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	$ 747,400,584	$ 134,639,680	$ 92,815,204	$ 109,715,563	$ 74,331,728	$ 72,371,286	$ 263,527,123
Main capital outflow on maturity	909,637,257	51,315,025	122,073,415	187,920,745	163,352,699	182,031,018	202,944,355
Gap	(162,236,673)	83,324,655	(29,258,211)	(78,205,182)	(89,020,971)	(109,659,732)	60,582,768

September 30, 2020

	Total	Amount for Remaining Period to Maturity					
		0 Day to 10 Days	11 Days 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	$ 699,344,964	$ 90,235,029	$ 89,366,742	$ 104,916,110	$ 69,916,910	$ 81,353,709	$ 263,556,464
Main capital outflow on maturity	848,978,730	44,838,998	87,343,054	160,609,662	187,734,768	171,663,080	196,789,168
Gap	(149,633,766)	45,396,031	2,023,688	(55,693,552)	(117,817,858)	(90,309,371)	66,767,296

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

b) For U.S. dollar items

September 30, 2021

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		0 Day 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	$ 11,531,634	$ 4,015,637	$ 2,370,462	$ 2,105,715	$ 1,103,870	$ 1,935,950
Main capital outflow on maturity	12,273,743	3,323,976	2,819,564	3,135,201	1,619,868	1,375,134
Gap	(742,109)	691,661	(449,102)	(1,029,486)	(515,998)	560,816

December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		0 Day 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	$ 11,107,116	$ 4,424,143	$ 2,834,779	$ 1,248,219	$ 744,884	$ 1,855,091
Main capital outflow on maturity	11,993,961	4,088,179	3,233,382	1,939,585	1,442,808	1,290,007
Gap	(886,845)	335,964	(398,603)	(691,366)	(697,924)	565,084

September 30, 2020

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		0 Day 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	$ 10,344,539	$ 3,585,870	$ 2,334,773	$ 1,757,658	$ 664,058	$ 2,002,180
Main capital outflow on maturity	11,253,243	3,331,344	2,910,129	1,933,813	1,654,546	1,423,411
Gap	(908,704)	254,526	(575,356)	(176,155)	(990,488)	578,769

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

45. CAPITAL MANAGEMENT

a. Objective of capital management

1) The basic goal of the Bank's capital management is that unconsolidated regulatory capital and the consolidated regulatory capital should meet the requirements of the related regulations. The ratio of regulatory capital and risk assets (the "capital adequacy ratio") should meet the statutory threshold according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

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.

46. CASH FLOW INFORMATION

a. Non-cash transactions

Cash dividends which were approved by the shareholders' meeting recognized as accrued dividends was $1,124,082 thousand as of September 30, 2021.

b. Changes in Liabilities Arising from Financing Activities

For the nine months ended September 30, 2021

	Beginning Balance	Cashflow	Non-cash Changes: Exchange Rate	Non-cash Changes: Others	Ending Balance
Funds borrowed from the Central Bank and other banks	$ 22,340	$ 37,600	$ -	$ -	$ 59,940
Securities sold under repurchase agreement	3,530,487	(3,473,568)	(51,928)	-	4,991
Bank debentures	22,601,900	2,400,000	-	-	25,001,900
Other financial liabilities	868,202	90,392	-	-	958,594
Lease liabilities	839,255	(309,462)	(744)	531,101	1,060,150
Other liabilities	622,554	(3,201)	(1,075)	4,127	622,405
	$ 28,484,738	$ (1,258,239)	$ (53,747)	$ 535,228	$ 27,707,980

For the nine months ended September 30, 2020

	Beginning Balance	Cashflow	Non-cash Changes: Exchange Rate	Non-cash Changes: Others	Ending Balance
Funds borrowed from the Central Bank and other banks	$ -	$ 16,840	$ -	$ -	$ 16,840
Securities sold under repurchase agreement	9,675,529	(4,378,711)	(207,722)	-	5,089,096
Bank debentures	25,001,900	-	-	-	25,001,900
Other financial liabilities	1,001,923	102,032	-	-	1,103,955
Lease liabilities	1,040,827	(323,205)	(1,783)	175,164	891,003
Other liabilities	659,123	(27,410)	(1,691)	7,205	637,227
	$ 37,379,302	$ (4,610,454)	$ (211,196)	$ 182,369	$ 32,740,021

47. 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.

Segment Income and Operating Results

The accounting policies adopted by each reportable segments are the same as those stated in Note 4 to the consolidated financial reports.

The income and operating results of the reportable segments of the Bank and its subsidiaries were as follows:

	Individual Banking	Corporate Banking	Others	Total
For the nine months ended September 30, 2021				
Net interests	$ 3,156,620	$ 2,636,676	$ (841,375)	$ 4,951,921
Net revenues and gains other than interest				
Net service fee income	1,391,271	530,156	369,210	2,290,637
Other net income	157,012	759,902	232,985	1,149,899
Net revenues	4,704,903	3,926,734	(239,180)	8,392,457
Reversal of (provision for) bad debt expenses	(221,596)	(885,306)	239,988	(866,914)
Operating expenses	(3,445,028)	(1,155,519)	(422,261)	(5,022,808)
Segment income before income tax	$ 1,038,279	$ 1,885,909	$ (421,453)	$ 2,502,735
For the nine months ended September 30, 2020				
Net interests	$ 2,993,633	$ 2,535,936	$ (1,052,157)	$ 4,477,412
Net revenues and gains other than interest				
Net service fee income	1,471,278	728,902	519,357	2,719,537
Other net income	187,619	1,054,997	94,689	1,337,305
Net revenues	4,652,530	4,319,835	(438,111)	8,534,254
Reversal of (provision for) bad debt expenses	(96,138)	(826,713)	50,001	(872,850)
Operating expenses	(3,450,794)	(1,150,953)	(420,824)	(5,022,571)
Segment income before income tax	$ 1,105,598	$ 2,342,169	$ (808,934)	$ 2,638,833

48. OTHER ITEMS

In the face of the significant uncertainty caused by the COVID-19 to the international economic and financial situation, the Bank and its subsidiaries adhere to the consistent and prudent business policy, strengthen risk management and lay out long-term sound growth momentum. The impact of the COVID-19 on the Bank's and its subsidiaries' ability to continue as a going concern, impairment of assets and financing risk has been properly reflected and disclosed in the current financial statements.

49. 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: Nil

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: Table 1 (attached)

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' financing 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 3 (attached)

c. Related information of investees on which the Bank exercises significant influence: Exempt from disclosure

d. Information about branches and investments in mainland China: Table 4 (attached)

e. Information about major shareholders: Name, number of shares, and percentage of ownership of shareholders holding more than 5% of the shares: Nil

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)

1. Sale of nonperforming loans

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss)	Incidentally Conditions	Relationship Between the Counterparty and the Bank
2021.06.25	The Hongkong and Shanghai Banking Corporation Limited	Long-term secured loan for enterprise (international syndicated loans)	$ 337,064	$ 331,284	$ (5,780)	None	Unrelated parties

Note: Book value equals the amount of the original loan less the allowance for loss.

2. The sale of a batch of nonperforming loans totaling over NT$1 billion (excluding those sold to related parties): None.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Flow of Transaction	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Net Profit or Consolidated Total Assets (%, Note 2)
0	Far Eastern International Bank Ltd.	Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Deposits and remittances	$ 447,029	Note 3	0.06
		Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Interest expense	926	Note 3	0.01
		Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Service charge	1,410	Note 3	0.02
		Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Loss on disposal of financial assets at FVTPL	750	Note 3	0.01
1	Far Eastern International Securities Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	447,029	Note 3	0.06
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Interest revenue	926	Note 3	0.01
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Service fee	2,160	Note 3	0.03

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 NINE MONTHS ENDED SEPTEMBER 30, 2021
(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 - entrusted loan receivable	No	$ 15,797	$ 15,510	$ 15,510	6%-10%	1	$ 16,923	-	$ 155	Real estate	$ 32,504	$ 288,493	$ 961,644

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 30% 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 30% 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

INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(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 January 1, 2021	Investment Flow (Note 4)		Accumulated Outflow of Investment as of September 30, 2021 (Note 4)	Net Income (Loss) of Investee (Notes 2 and 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 5)	Carrying Value as of September 30, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of September 30, 2021	Note
					Outflow	Inflow							
FEIB Financial Leasing Co., Ltd.	Leasing operation	$ 920,470 (US$ 30,000 thousand)	a	$ 920,470 (US$ 30,000 thousand)	$ -	$ -	$ 920,470 (US$ 30,000 thousand)	$ 20,639 (CNY 4,760 thousand)	100.00	$ 20,639 (CNY 4,760 thousand)	$ 982,150	$ -	

Accumulated Investment in Mainland China as of September 30, 2021 (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)	$1,010,609

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 nine months ended September 30, 2021.