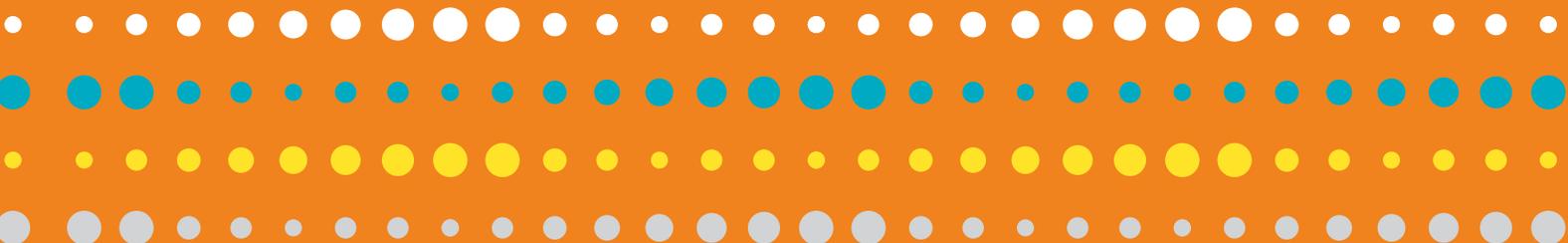


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2021 Annual Report



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Name of Overseas Exchange Where Securities Are Listed and Method of Inquiry: None

(Summary Translation)

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

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Care for the nature, save the future.

The contents of this Annual Report are printed on FSC-certified eco-friendly paper.

special emphasis on wide-interest-spread lending offerings and customized wealth management services, including offshore structured products and a proprietary bond trading platform. The goal is to meet diverse customer needs, thus enhancing customer satisfaction and cementing customer stickiness.

2. Grow corporate banking earnings and enhance the ROE

At O-Bank, corporate banking has long been a key earnings driver. Over the past year the Bank, while building on its existing customer base to find new opportunities, gave priority to making forays into the mid-market enterprise (MME) sector, growing fee income, and enhancing interest spreads to attain greater returns on capital. Meanwhile, equal emphasis was placed on complying with the NSFR and LCR requirements for liquidity.

3. Create synergies between corporate and retail banking

With a better-rounded lineup of wealth management products in place, the Bank is now poised to further integrate retail and corporate banking services, especially in the form of joint promotion of online payroll and customized wealth management services. To create synergies, the Bank established the Financial Business Division in January 2022 by consolidating corporate and retail banking operations to facilitate their collaboration. After the aforesaid organizational restructuring, the president is charged with supervising the following units: Financial Business Division, Financial Market Division, Hong Kong Branch, Risk Management Division, Operation Management Division, Information Technology Division, Legal & Compliance Division, and Business Strategy Division. Headed by their respective supervisors, these divisions share the responsibility of helping the Bank deliver the best possible performance.

4. Win recognition as a responsible corporate citizen while conducting business

Committed to fulfilling corporate social responsibility, the Bank has striven to achieve corporate sustainability. In early 2021, the Bank was once again certified as a B Corporation after it emerged as Taiwan's first listed company and financial services provider to have won such certification at the end of 2017. Following the introduction of its "Social Impact Program," an initiative that combines corporate social responsibility and business pursuit, at the end of 2020, the Bank came up with yet another pioneer offering—"Consumer Spending Carbon Calculator"—in March 2022. With the aid of Mastercard's big data database, consumers are informed of the carbon emission number derived from every transaction, thereby acting as a carbon reduction reminder. Meanwhile, the Bank became a supporter of recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD) in 2021 and a signatory to the Equator Principles (EP) during the third quarter of the year.

In 2021, the Bank ranked among top 5% companies listed on the Taiwan Stock Exchange in its 7th Corporate Governance Evaluation. Repeat accolades for the Bank included second place in the medium-scale enterprises category of CommonWealth Magazine's Excellence in Corporate Social Responsibility Awards as well as four winnings out of the Taiwan Institute for Sustainable Energy's Taiwan Corporate Sustainability Awards: an award of excellence in the comprehensive corporate performance category; "Gender Equality Award" and "Creativity in Communication Award" in the best practices category; and a "Corporate Sustainability Report Gold Award" in the finance and insurance category. Further attesting to the Bank's accomplishment on the CSR front was the honor of "Great Practice" conferred upon its Social Impact Program in the 2021 Global Corporate Sustainability Awards (GCSA).

As 2022 unfolds, the global economy appears poised to stay on growth track. Nevertheless, uncertainties remain. New Covid-19 variants may yet cause trouble, inflation is building up and major economies are tilting toward monetary tightening, and worsening climate change threatens to further dampen economic activity. For its part, the Taiwan economy is expected to keep growing on the back of an ongoing global recovery that drives end demand and fosters private consumption.

As always, the Bank has prudently set the following key objectives and strategies for 2022:

1. Expand customer base and improve earnings structure

In 2022, the Bank will persist with its bid for a boutique bank with a commitment to maximal earnings and efficiency against a limited capital base. In terms of corporate banking, emphasis will be placed on readjusting the configuration of lending to conglomerate clients to boost fee income, expanding access to syndicated loans and structured finance, and growing our TMU business. Meanwhile, the Bank will continue expanding its MME customer base to increase interest-spread income and taking full advantage of trade finance and customized wealth management opportunities to further improve our earnings structure. Also being planned is a new international finance team with the goal of developing cross-border syndicated loans and consolidating domestic and overseas resources to facilitate the Bank's overseas expansion going forward.

When it comes to retail banking, the Bank is set to continue strengthening and broadening customer management, diversifying product offerings, optimizing the lending process, and expanding wealth management services. Equal emphasis will be placed on collaborating with corporate and business banking teams to develop niche customers and explore wealth management opportunities.

In the digital banking sector, strategic alliances will be formed to develop small loans for micro SMEs and individuals, secure payment opportunities in different scenarios, and optimize experiences for digital channels.

2. Focus on innovation and optimization of processes

In 2022, to accommodate business development, the Bank will give priority to lending mid- and back-end support to innovative businesses, including process automation and third-party data applications. Of equal importance is to strengthen collaboration between information and business teams, thereby optimizing products and services, bolstering technological capacity, meeting customer needs, and creating an ultimate customer experience.

3. Enhance efficacy in management and operations

Measures meant for efficiency enhancement include optimization of asset/liability management and initiation of a new Funds Transfer Pricing (FTP) system to help business units focus on attaining the Bank's strategic goals. Meanwhile, capital allocation management will be strengthened to funnel capital toward the Bank's core business and invested operations more flexibly, thereby maximizing earnings against a limited capital base. Also being developed is data management and applications to bolster data-based decision-making throughout and promote datamation across the board. In tandem with the Bank's latest reorganization, it is poised to implement a compensation policy that ties bonuses to performance more closely.

4. Fulfill corporate social responsibility and attain sustainability

To ensure sustainability, the Bank will build on its core business and work with like-minded clients to consolidate green finance and enhance financial inclusion. In the days ahead, the Bank is set to stay on the benevolent way of “benefiting others to fulfill oneself” as it strives for excellence in corporate governance, customer relationships, employee care, environment friendliness, social engagement, and green finance, thereby attaining corporate sustainability and creating sustainable value for shareholders and stakeholders alike.

It is my belief that with the concerted efforts of each and every one at O-Bank, our performance will be able to get better with each passing day. We look forward to continued support and guidance from all shareholders.

A handwritten signature in black ink, appearing to read 'Tina Y. Lo', with a long, sweeping flourish extending to the right.

Tina Y. Lo/Chairman

followed by the opening of the Bank's first overseas branch in Hong Kong in April 2009 to accommodate overseas investment, financing, and Renminbi services. Another objective is to establish a cross-border banking platform that spans Taiwan, Hong Kong, mainland China, and the U.S. with a view to providing customers with a wide range of funding sources and financial services and helping Taiwan-based enterprises with capital allocation and other financial matters in their global expansion. To accommodate business development and expand business scope, the Bank took action in January 2006 and December 2007 to accumulate a nearly 28% stake in China Bills Finance Corp., thereby launching into the short-term bill sector. This alliance through cooperation across operations, techniques, and outlets aims to create synergies shared by both parties. To better serve small and medium-sized enterprises (SMEs), the Bank set up IBT Leasing Co., Ltd. in April 2011 to offer a full range of financial services in support of SME development.

To open up more business opportunities and expand business scope, the Bank acquired California-based EverTrust Bank in March 2007, marking a stride in its global push that enabled the Group to bring its financial services to the U.S. West Coast. A bank of healthy finances and assets with a sound track record, EverTrust Bank deals mainly in deposits, loans, cash management, trade finance, and consumer finance. Its eight outlets in the Greater Los Angeles Area and Silicon Valley cater primarily to an ethnic Chinese clientele.

In June 2011, the Bank's wholly owned subsidiary IBT Leasing Co., Ltd. set up IBT International Leasing Corp. in Suzhou, making it the Group's first subsidiary in mainland China. Branches were soon established in Dongguan, Nanjing, Zhongshan, and Foshan as part of the Group's efforts to accelerate expansion with multiple business locations in mainland China and consolidate its market standing there. In April 2012, the Bank established a representative office in Tianjin, marking the first such entity set up by any Taiwanese bank in this northern coastal metropolis. With the establishment of Hong Kong Branch, IBT International Leasing Corp., and Tianjin representative office, O-Bank Group now operates a well-rounded service network across southern, eastern, and northern China. A cross-border platform that spans Taiwan, Hong Kong, mainland China, and the U.S. is fittingly placed to provide customers with all-encompassing financial services.

Separately, O-Bank secured Financial Supervisory Commission approval in early 2019 to team up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form Beijing Sunshine Consumer Finance Co., Ltd., which became operational in August 2020. The prospective joint venture will draw on our experience in financial innovation to provide Chinese consumers with a brand-new digital banking service, thereby giving O-Bank an extra push in its bid for the Greater China market.

Even as the Bank strives aggressively for expansion, it is equally earnest to assert itself beyond the business sphere. The Corporate Culture Promotion Committee initiated in 2013 was followed by the Corporate Social Responsibility Committee in 2015. To make real the vision of sustainable development, the Bank first committed itself to five key areas: corporate governance, employee care, customer relations, social engagement, and environmental protection. Last year, it went a step further to include green finance as the sixth key area. Clearly defined objectives are set and specific departments are charged with the responsibility of tracking endeavors undertaken to achieve them, as part of its systematic implementation of corporate social responsibility initiatives. Last year has even seen the Bank undertake nearly 100 upgrade and restructuring plans.

In October 2017 the Bank persuaded B Lab of the U.S. to certify it as a B Corporation. O-Bank is not only the first listed company and financial services provider in Taiwan but also the first listed bank worldwide to be thus certified. It will continue to strive for a win-win outcome for both the society and the environment. In August 2021,

the Bank signed the Equator Principles (EP) to set corporate customers' environmental protection, management integrity, risk management and other sustainability-related issues as items for credit risk evaluation. O-Bank is the world's 124th financial institution to become a signatory, putting sustainable finance into practice.

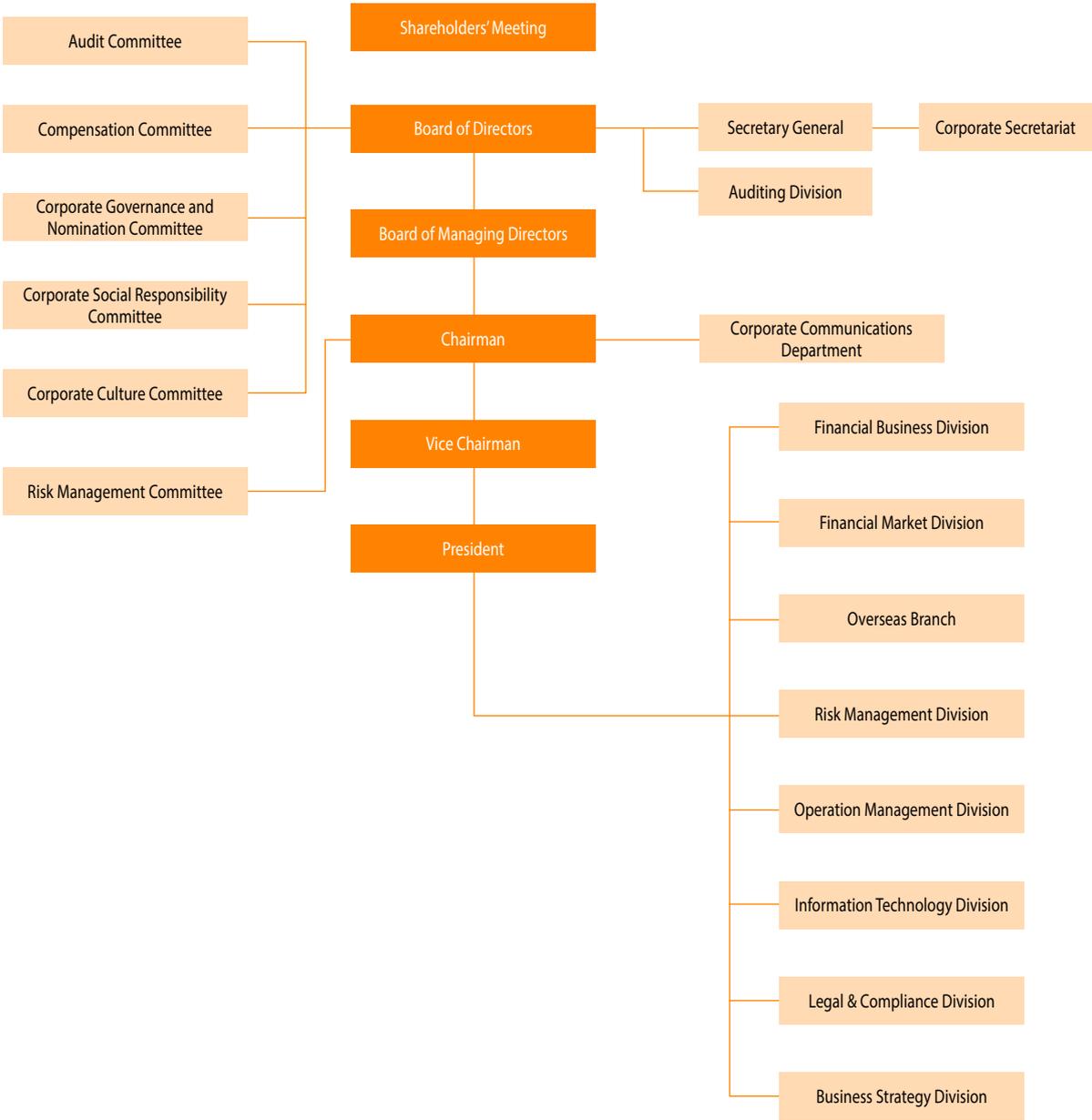
The Bank has long been committed to pursuing corporate social responsibility and attaining sustainable development. It has won multiple awards and recognition nationally and internationally. In 2021, the Bank again made it to CommonWealth Magazine's second place prize of "Corporate Citizen Award" in the medium-sized enterprise category. It continued to win major Taiwan Corporate Sustainability Awards, including "Sustainability Comprehensive Performance Award", "Gender Equality Leadership Award," "Creative Communication Leadership Award," and "Corporate Sustainability Report Golden Award" in the Finance and Insurance category. O-Bank also received the 2021 Global Corporate Sustainability "Great Practice Award" in the World Class category. In addition, O-Bank ranked among the top 5% in the listed company category in the Taiwan Stock Exchange's "7th Corporate Governance Evaluation," and was awarded a "excellent performance" certification by the Taiwan Corporate Governance Association under the Corporate Governance System Assessment. In the days ahead, O-Bank is set to stand by its corporate culture characterized by sincerity and support as it faithfully fulfills its corporate social responsibility on the path toward the ultimate objective of corporate sustainability.

III. Corporate Governance Report

1 Organization

A. Organizational System

Record Date: April 19, 2022



B. The duties of the functional committees are as follows:

1. Audit Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in performing the duty of oversight. It is supposed to undertake the following: (1) Enact or amend the internal control system, (2) evaluate the effectiveness of the internal control system, (3) enact or amend the SOP of major financial activities such as acquisition or disposal of assets as well as derivatives transactions, (4) review matters in which directors have personal interests, (5) review major asset or derivatives transactions, (6) review major instances of lending funds or providing endorsements or guarantees, (7) review the offering, issuance, or private placement of equity securities, (8) review the appointment, dismissal, or compensation of CPAs, (9) review the appointment and dismissal of financial, accounting, or internal audit managerial officers, (10) review annual and semi-annual financial statements, and (11) review other major items stipulated by the Bank or the competent authority.
2. Compensation Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in assessing and supervising the Bank's compensation policy and remunerations for directors and managerial officers.
3. Corporate Governance and Nomination Committee: Composed of 3 directors with over half independent directors, the committee is intended to designate the standard of the Board members and find, review and nominate candidates; set up and review programs for the director continuing education initiative and succession planning; set up the Bank's Corporate Governance Principles and the Bank's Regulations Governing the Performance Evaluation of the Board of Directors; oversee and supervise corporate governance evaluations and performance evaluations of the Board, and then report to the Board for review and further improvement.
4. Corporate Social Responsibility Committee: Comprising the chairman, vice chairman, and a number of members, the committee is responsible for devising the Bank's corporate social responsibility system and policy directions as well as implementation plans. It is supposed to meet on a regular basis for tracking the implementation of relevant projects and submit a report on implementation results to the Board of Directors each year.
5. Corporate Culture Committee: Composed of the chairman, vice chairman, and a number of members, the committee is responsible for setting corporate culture-related regulations and policies and implementing plans. Also, the committee makes an effort to improve internal measures and adopt policies designed to meet employee needs and build corporate culture and internal cohesion.
6. Risk Management Committee: With the board chairman at the helm, the committee comprises a number of members, including at least two directors appointed by the board chairman. The committee is responsible for reviewing the Bank's risk management mechanism and risk management proposals that call for board approval, supervising risk management measures to be implemented, and checking the efficacy of these efforts.

C. Duties of various departments:

1. Corporate Secretariat: Convocation of shareholders' meetings and meetings of the Board of Directors; amendment of the Articles of Incorporation; compilation of annual reports; undertaking of archival, confidential, and other office affairs of the Board of Directors; organization and promotion of corporate governance.

2. Auditing Division: Auditing and supervision of the Bank's departments and domestic/overseas subsidiaries, reviews for internal and external deficiencies and follow-up checks on rectification measures, oversight of internal audits, investigations of unsound lending or investment cases, and evaluation of audit operations of the Bank's departments and subsidiaries.
3. Corporate Communications Department: Establishment and development of the Bank's corporate image and relations with the media, the public, and investors; organization of the press conferences and investor conferences; planning of the press releases and media coverage; overall planning with regard to making public the Bank's information and the communication thereof; undertaking of promotion and communication; monitoring of media reports and handling of media crises; establishment and management of brand image; management and promotion of corporate social responsibility and corporate culture initiatives; assessment of corporate sustainability; compilation of sustainability reports.
4. Financial Business Division: Development and management of corporate banking, consumer banking, digital banking, and offshore banking. It is composed of the following:
 - (1) Corporate/Commercial Banking Center: Promotion of deposit, lending, and wealth management services; management and upkeep of customer relations.
 - (2) Offshore Banking Unit: Upkeep and amendment of OBU management regulations and contracts; handling of matters in relation to OBU services.
 - (3) Corporate Finance Department: Operations with regard to syndicated corporate lending as well as structured, project, M&A, and cross-border loans; provision of project finance consulting; development, sales, and management of such products as NT dollar and foreign currency NCDs.
 - (4) Global Transaction Service Department: Development, sales, and management of accounts receivable, trade financing, and supply chain financing services.
 - (5) Corporate Cash Management and e-Banking Department: Cash management for corporate banking clients; planning, promotion, and upkeep of electronic banking, online banking, and integrated collection and payment services.
 - (6) Trust Department: Development, planning, promotion, and management of trust services; provision of services for arranging securitized products and advisory services for asset management or realty development.
 - (7) Consumer Lending Department : Management of consumer banking; Strategy planning and implementation management of sales promotion.
 - (8) Wealth Management Department: Drafting of business policy, service content, and marketing strategies and plans that target wealth management customers.
 - (9) Digital Innovation Department: Planning of digital banking strategies, product promotion; management and upkeep of customer relations.
 - (10) Deposit and Payment Department: Handling of retail banking savings accounts; Taiwan dollar and foreign currency savings and remittances; planning and implementation of debit card services, payment services, and salary transfer operations for corporates; integration of payment outlet systems and workflows.
 - (11) Business Department and Domestic Branches: Promotion of deposit, lending, and wealth management services; management and upkeep of customer relations.

- (12) Financial Business Management Department: Planning and implementation of corporate banking, retail banking; digital banking development strategies.
5. Financial Market Division: Overall allocation of the Bank's funds; handling of transactions of such financial products as bonds and bills, commodities linked to exchange and interest rates, equity securities, and other derivatives.
6. Risk Management Division: Risk management and planning thereof across the Bank. It is composed of the following:
 - (1) Risk Management Department: Planning of credit, market and operational risk management policy; planning and drafting of the Bank's lending policy; control of the Bank's risk-weighted assets portfolio and follow-up management of unsound loans; litigations or compulsory enforcement with regard to overdue loans and bad-loan write-offs.
 - (2) Corporate Credit Management Department: Review of corporate lending applications; introduction and upkeep of the Bank's default probability calculating model and rating system; proposal of annual facility; implementation and control of credit review operations; review of lending contracts and collateral; release of lending facility; identification, measurement, monitoring, management, disclosure, and reporting of credit risk.
 - (3) Retail Credit Management Department: Undertaking of retail banking credit-checking and credit reviewing procedures; establishment of the Bank's risk management mechanism; management of the Bank's risk-weighted assets portfolio; assessment and management of NPL provisions and losses; management and tracking of accounts flagged for early warning; appraisal of realty collateral for the Bank.
7. Operation Management Division: Operations planning and management of financial and general affairs. It is composed of the following:
 - (1) Corporate Operation Department: Procedural planning for clearing, settlement, account administration, and other operations with respect to NT dollar and foreign currency corporate lending, deposits and remitted funds, accounts receivable, securitization, import and export foreign exchange, syndicated loans, and money and foreign exchange market, securities, and investment-related products.
 - (2) Retail Operation Department: Planning of retail banking customer service strategies and procedures; management and implementation of customer relations and marketing initiatives.
 - (3) Operation Planning Department: Planning of operations strategies, workflow design, resources allocation, and overall management.
 - (4) Finance & Accounting Department: Financial Management Department: Taking charge of accounting and taxation and the assessment of performance of all departments.
 - (5) General Affairs Department: Procurement and management of construction and renovation items as well as other properties; handling of stock affairs, document dispatch and receipt, and other administrative duties.
8. Information Technology Division: Planning and management of the Bank's information systems; implementation and upkeep of its information security policy. It is composed of the following:

- (1) Engagement Platform and Project Management Department: Needs identification, structure evaluation, and workflow planning with regard to customer service channels, lending and credit check systems for individuals and SMEs, and wealth management service systems.
 - (2) Application System Development Department: Planning of retail banking customer service strategies and procedures; management and implementation of customer relations and marketing initiatives.
 - (3) Core Banking System Development Department: development of core systems; needs identification, structure evaluation, and workflow planning with regard to channel- and card-related systems.
 - (4) Technical Development Department: Design, development, and upkeep of the Bank's information applications and management information systems.
 - (5) Infrastructure and System Services Department: Implementation and upkeep of policies and standards for various system platforms; operation of the Bank's problem-reporting center and follow-up management.
 - (6) Information Security Department: Review and implementation of Information Security regulations; maintenance and drafting of provisions for relevant policies.
9. Legal & Compliance Division: Study of the Bank's legal affairs; research and consultation on laws and regulations; planning, management, and supervision of legal compliance; planning and management of anti-money laundering and countering the financing of terrorism.
10. Business Strategy Division: Planning of the Bank's business guidelines and strategies; management of human resources; evaluation of investments. It is composed of the following:
- (1) Strategic Planning Department: Planning, analysis, and implementation of the Bank's business guidelines and strategies; planning and drafting of development strategies for the Bank's global business; planning and implementation of cross-border strategic alliances; planning, designing, and development of product portfolios; management of and liaison with the Bank's investees.
 - (2) Overseas Representative Office: Undertaking of overseas market surveys and analysis and research thereof.
 - (3) Human Resources Department: Drafting of human resources policy and regulations governing the administration of personnel; handling of matters in relation to appointment, attendance, compensation, benefits, rewards and penalties, and training.
 - (4) Principal Investment Department: Evaluation of investment in domestic and foreign manufacturing and venture capital businesses; follow-up management and disposal of investees.
11. Overseas Branches: Promotion of corporate banking services outside Taiwan; upkeep of customer relations; handling of financial products trading, account affairs, and administrative management.

2. Directors, Supervisors and Management Team

(1) Directors and Supervisors

A. Directors

As of April 19, 2022
Unit: Shares/%

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 2)	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Chairman	Republic of China	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)	Female 41-50 years old	2020.6.19	Three years	2011.6.13 2002.5.30	250,769,967 *23,972,980 *10,743	10.39 *7.99 *0.004	362,298,574 *23,972,980 *10,743	13.25 *8.02 *0.004	-	-	-	-	Vice Chairman, O-Bank Vice Chairman, EverTrust Bank Member, MIT Sloan Asian Executive Board Director, Chinese National Association of Industry and Commerce (CNAIC) and convener, CNAIC's Young Entrepreneur Committee Director, Bankers Association of the Republic of China Chief Executive, O-Bank Hong Kong Branch President, IBT Management Corporation MBA, MIT (Massachusetts Institute of Technology) Sloan School of Management, USA	Note 3	Managing Director	Lo, Kenneth C.M.	1st Degree	-	-
Managing Director (Honorary Chairman)	Republic of China	Lo, Kenneth C.M.	Male 71-80 years old	2020.6.19	Three years	1999.7.12	1,296,443 *128,945	0.05 *0.04	1,431,228 *128,945	0.05 *0.04	-	-	-	-	Chairman, O-Bank Chairman EverTrust Bank Director, Cross- Strait Common Market Foundation Managing Director, Cross-Strait CEO Summit Chairman /Honorary Chairman, Chinese National Association of Industry and Commerce President Chinatrust Commercial Bank M.A.in Finance, The University of Alabama	Note 4	Director	Chen, Shih-Tze	Spouse	-	-
Managing Director	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Yeh, Roy J.Y.)	Male 61-70 years old	2020.6.19	Three years	1999.7.12 2020.6.19	240,254,084 *23,786,204 51,641 *100,000	9.96 *7.93 0.002 *0.03	265,221,793 *23,786,204 51,641 *100,000	9.70 *7.95 0.002 *0.03	-	-	-	-	Chairman, IBT Management Corporation Chairman, IBT VII Venture Capital Co., Ltd. Director, IBT International Leasing Corp. Director/President, IBT Leasing Co., Ltd. Chief Corporate Banking Officer/Senior Executive Vice President of Risk Management Department, O-Bank Department of Insurance, Tamkang University	Note 5	-	-	-	-	-

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Managing Director	Republic of China	Hu, Fu-Hsiung	Male 61-70 years old	2020.6.19	Three years	2020.6.19	-	-	-	-	-	-	-	-	Independent Director, Walsin Lihwa Corporation · Chairman, Taiwan Cooperative Securities Co., Ltd. · Chairman, Joint Credit Information Center · Director, Taiwan Ratings · Director, Mega International Commercial Bank · Director, Taiwan Cooperative Bank · Committee Member, Executive Yuan Financial Restructuring Fund Committee MBA, National Taiwan University	Note 6	-	-	-	-
Independent Director	Republic of China	Lin, Hank H.K.	Male 61-70 years old	2020.6.19	Three years	2020.6.19	-	-	-	-	-	-	-	-	Chairman, EY Cultural and Educational Foundation · Supervisor, Union MechTronic Inc. · Director, St. Ann Medical Co., Ltd. · Director, Globe Union Industrial Corp. · Managing Partner/CPA, EY Taiwan MBA, City University of New York (Brooklyn College)	Note 7	-	-	-	-
Independent Director	Republic of China	Liu, Richard R.C.	Male 71-80 years old	2020.6.19	Three years	2014.6.6	-	-	-	-	-	-	-	-	Independent Director, Taiwan Aulisa Medical Devices Technologies, Inc. · Director, Taishin Bank · Independent Director, First Commercial Bank · Managing Director, Hua Nan Bank Secretary General of Ministry of Finance · Master of Economics, University of San Francisco; Master of Public Administration, National Chengchi University	Note 8	-	-	-	-
Director	Republic of China	Taiwan Cement Corporation (Rep. Huang, Edward Chien- Chiang)	Male 71-80 years old	2022.3.22	Note 9	1999.7.12 2022.3.22	29,719,000 *2,955,881	1.23 *0.99	32,808,744 *2,955,881	1.20 *0.99	-	-	-	-	Chairman, Ho- Ping Industrial Port Corporation · Chairman, Feng Sheng Industrial Co., Ltd. · Chairman, TCC Fuzhou Cement Co., Ltd. · Director, Ho-Ping Power Company Department of Transportation and Communication Management Science, National Cheng Kung University	Note 10	-	-	-	-

Corporate Governance Report

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	Tai Ya Investment Co., Ltd. (Rep: Chen, Shih- Tze)	Female 71-80 years old	2020.6.19	Three years	2002.5.30 1999.7.12	75,307,768 *7,490,185	3.12 *2.50	83,137,161 *7,490,185	3.04 *2.50	- -	- -	- -	- -	Chairman, Ming Shan Investment Co., Ltd. ∙ Chairman, Yi Chang Investment Co., Ltd. ∙ Chairman, Tai Hsuan Investment Co., Ltd. ∙ Chairman, Tai Ya Investment Co., Ltd. ∙ Director, Kogyoku Foods Co., Ltd. ∙ Director, O-Bank Education Foundation ∙ Supervisor, IBT II Venture Capital Co., Ltd. ∙ Director, International Bank of Taipei ∙ Managing Director, O-Bank Department of Foreign Languages & Literatures, National Taiwan University	Note 11	Managing Director	Lo, Kenneth C.M.	Spouse	-
Director	Republic of China	Abag Investment Holdings Co., Ltd. (Rep: Cheng, George C.J.)	Male 61-70 years old	2020.6.19	Three years	2017.6.14 2015.11.11	50,000	0.002	54,728	0.002	- -	- -	- -	- -	Chairman, Abag Enterprise Co., Ltd. ∙ Chairman, Abag Investment Holdings Co., Ltd. ∙ Chairman, San Ho Development Co., Ltd. ∙ Director/ President, San Ho Plastics Fabrication Co., Ltd. MBA, St. John's University	Note 12	-	-	-	-
Director	Republic of China	Lee, Mark J.C.	Male 61-70 years old	2020.6.19	Three years	2011.6.13	100,390 *9,984	0.004 *0.003	100,390 *9,984	0.004 *0.003	- -	- -	- -	- -	Chairman, Sung Yuan Development Co., Ltd. ∙ Director, Bai Tong Investment Co., Ltd. ∙ Director, Heng Gi Lie Investment Ltd. ∙ President, Heng Tong Machinery Co., Ltd. ∙ President, Heng Kuo Co., Ltd. Department of Accounting, Feng Chia University	Note 13	-	-	-	-
Director	Republic of China	Tai Ya Investment Co., Ltd. (Rep: Lee, Elton F.Y.)	Male 51-60 years old	2020.6.19	Three years	2002.5.30 2020.3.25	75,307,768 *7,490,185	3.12 *2.50	83,137,161 *7,490,185	3.04 *2.50	- -	- -	- -	- -	President, O-Bank ∙ Deputy President, O-Bank Hong Kong Branch ∙ Director, EverTrust Bank ∙ Senior Vice President/ Commercial Banking Chief, HSBC Taiwan ∙ First President of Suzhou Branch/Vice President of Taiwanese Business Platform in Shenzhen Branch, HSBC (China) MBA, Manchester Business School	Note 14	-	-	-	-

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.)	Male 71-80 years old	2020.6.19	Three years	1999.7.12 1999.7.12	240,254,084 *23,786,204 187,090 *18,608	9.96 *7.93 0.008 *0.006	265,221,793 *23,786,204 206,540 *18,608	9.70 *7.95 0.008 0.006	-	-	-	-	Chairman, IBT Leasing Co., Ltd. · Chairman, IBT International Leasing Corp. · Director, IBTS Holdings Ltd., Chairman, IBT Securities Co., Ltd. · Director, O-Bank Education Foundation · Deputy President, O-Bank MBA, National Taiwan University	Note 15	-	-	-	-
Director	Republic of China	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.)	Female 41-50 years old	2020.6.19	Three years	2011.6.13 2011.6.13	250,769,967 *23,972,980 -	10.39 *7.99 -	362,298,574 *23,972,980 -	13.25 *8.02 -	-	-	-	-	Chairman, Prudential Fortune Investment Co., Ltd. · Director, Taiwan Art & Business interdisciplinary Foundation · CEO, O-Bank Education Foundation · Director, International Bank of Taipei · Project Manager, Risk Management Department of O-Bank MA. in Education Psychology, University of Southern California	Note 16	Managing Director	Lo, Kenneth C.M.	1st Degree	-
																	Chairman	Lo, Tina Y.	2nd Degree	
																	Director	Chen, Shih-Tze	1st Degree	
Director	Republic of China	Lin, Bill K.C.	Male 51-60 years old	2020.6.19	Three years	2020.6.19	-	-	140,000	0.005	-	-	-	-	Director, EasyCard Investment Holding Co., Ltd. · Director, EasyCard Corporation · Director, UUPON INC · Director, Curdoctor Information Service Corp. · Independent Director, GOMAJI Corp. Ltd. · Director, Taiwan Internet and E-Commerce Association (TIEA) · Chairman, 17Life · Chairman, PayEasy.com Travel Agency · Founder and CEO, Payeasy Digital Integration Co., Ltd. · Executive Consultant of Internet Banking, Taishin International Bank · Sales supervisor of Credit Card Business, Taishin International Bank MBA, Chinese Culture University · EMBA, National Taiwan University	Note 17	-	-	-	-

Note 1: “*” denotes Class A Preferred Shares in this Table.

Note 2: The chairman of the Board of Directors and the president or person of an equivalent post (the highest-ranking manager) are not the same person.

Note 3: Positions concurrently assumed by representative Tina Y. Lo : Vice Chairman, EverTrust Bank · Director, The Eisenhower Fellows Association in the Republic of China · Director, Ming Shan Investment Co., Ltd., · Director, Yi Chang Investment Co., Ltd. · Director, Tai Hsuan Investment Co., Ltd. · Director, Tai Ya Investment Co., Ltd. · Director, IBT Holdings Corp. · Director, KC Investments Corp. · Director, Lucky Bamboo Investments Limited · Managing Supervisor, Friends of the Police Association · Director, Chinese National Association of Industry and Commerce · Director, Bankers Association of the Republic of China · Director, Taiwan Women on Boards Association · Director, Criminal Investigate Association of Republic of China · Managing Director, Taiwan Listed Company Association · Director, Taiwan Academy Of Banking And Finance · Director, The Bankers Association Of Taipei.

C. Major shareholders of the Company's major institutional shareholders

Apr. 19, 2022

Name of Institutional Shareholders	Major Shareholders
Prudential Fortune Investment Co., Ltd.	Lo, Nina Y.C.(96%)、Lo, Kenneth C.M.(2%)、Chen, Shih-Tze(2%)
Triple Ace Management Co., Ltd.	Global Sail Holdings Limited (100%)
KC Investments Corp.	Paradise Palms Ltd.(100%)
Hong Ju Investment Co., Ltd.	Lo, Tina Y.(91.66%)、Lo, Kenneth C.M.(4.17%)、Chen, Shih-Tze(4.17%)
Chinatrust Investment Co., Ltd.	Heng Qiang Investment Co., Ltd.(23.38%)、Fu Pin Investment Co., Ltd.(23.33%)、Taiwan Cement Corporation(9.36%)、International CSRC Investment Holdings Co., Ltd.(4.48%)、TCC Investment Co., Ltd(3.45%)、Hoping Industrial Port Corporation(3.31%)、Kun Qing International Development Ltd.(2.97%)、Qiao Tai Investment Co., Ltd.(2.77%)、Chung Ho Textile Co., Ltd.(2.31%)、Ta-Ho Maritime Corporation(2.09%)
Chia Hsin Cement Corporation	Tong Yang Chia Hsin International Corporation(16.44%)、Sung Ju Investment Corporation(8.88%)、Yung-Ping Chang(5.39%)、Taiwan Cement Corporation(3.54%)、Ta-Ho Marinetime Corporation(3.33%)、Nutri Vita Inc.(2.23%)、Chai Hsin Foundation(1.92%)、International Chia Hsin Corporation(1.89%)、Guo-Huei Gu(1.74%)、Chia Hsin ReadyMixed Concrete Corporation(1.70%)
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.(100%)
Old Labor Pension Scheme Fund	None
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd.(100%)
Tong Yang Chia Hsin International Corporation	Chia Hsin Cement Corporation(87.18%)、Chia Hsin Construction & Development Corporation(10.41%)、Chia Min Corporation(0.52%)、Sung Ju Investment Corporation(0.42%)、Ju-Ping Chang(0.25%)、Yung-Ping Chang(0.22%)、Chung-Lien Chung(0.19%)、International Chia Hsin Corporation(0.16%)、An-Ping Chang(0.12%)、C.K. Wang(0.11%)
International CSRC Investment Holdings Co., Ltd.	Taiwan Cement Corporation(15.59%)、Chinatrust Investment Co., Ltd.(7.92%)、TCC Investment Co., Ltd.(2.23%)、Fu Pin Investment Co., Ltd.(1.72%)、CS Development & InvestmentCo.(1.50%)、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.29%)、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds(1.27%)、Union Cement Traders Inc.(1.16%)、TransGlobe Life Insurance Inc. (1.04%)、Norges Bank(0.85%)
Taiwan Cooperative Bank	Taiwan Cooperative Financial Holding Co., Ltd. (100%)
Heng Qiang Investment Co., Ltd.	Tian-Yi Huo(49.50%)、Gung-Kai Koo(24.90%)、Hsuan-Hui Koo(25.5995%)、Fu Pin Investment Co., Ltd.(0.0005%)
Cathay Life Insurance Co.,Ltd.	Cathay Financial Holding Co., Ltd.(100%)
Crystal Lake Global Limited	Chen, Shih-Tze(100%)

Note: All information disclosed in the above table has been provided by respective institutional shareholders, and O-Bank provided such information accordingly.

D. Professional qualifications and independence analysis of directors

As of April 19, 2022

Criteria Name	Professional Qualifications and Experiences	Independence (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Lo, Tina Y.	<ul style="list-style-type: none"> ■ Chairman of the Bank ■ Member of the Bank's Corporate Governance and Nomination Committee <p>Ms. Tina Y. Lo chairs the Bank and holds the following concurrent positions: vice chairman, EverTrust Bank; member, MIT Sloan Asian Executive Board; director, Chinese National Association of Industry and Commerce (CNAIC) and convener, CNAIC's Young Entrepreneur Committee; director, Bankers Association of the Republic of China, etc.</p> <p>Previously Ms. Lo was the Bank's first Hong Kong Branch chief executive, managing director, and vice chairman as well as the O-Bank Group's chief strategy officer. She was also selected to the WEF's Young Global Leaders (YGL) forum and identified as an Eisenhower Fellowships fellow, making her Taiwan's only recipient of both honors. In 2016, she was appointed by President Tsai Ing-wen to Chinese Taipei's mission to APEC's Business Advisory Council (ABAC).</p> <p>With her expertise in business administration, decision-making, international markets, crisis and risk management, banking, corporate governance, sustainable development, and green finance, Ms. Lo is committed to taking the Bank forward while following the benevolent way of "benefiting others to fulfill oneself." The ultimate goal is to create a reciprocal financial service platform sharing prosperity with customers and join all stakeholders in fostering a win-win future of sustainability.</p>	<p>The independence of Ms. Tina Y. Lo is as follows:</p> <ul style="list-style-type: none"> ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. 	0
Lo, Kenneth C.M.	<ul style="list-style-type: none"> ■ Managing Director of the Bank ■ Honorary Chairman of the Bank <p>Mr. Kenneth C.M. Lo is the Bank's managing director as well as honorary chairman. He holds the following concurrent positions: director, Cross-Strait Common Market Foundation; managing director, Cross-Strait CEO Summit; honorary director, Chinese National Association of Industry and Commerce (CNAIC), etc.</p> <p>Mr. Lo, a veteran banker, and former central bank governor Samuel Shieh teamed up with a number of private businesses to found Industrial Bank of Taiwan (IBT) in 1999. He went on to transform IBT into O-Bank as a commercial bank and get it listed on the Taiwan Stock Exchange in 2017. In his banking career that spans over half a century, he acted as president of Chinatrust Commercial Bank and chairman of the Bank among others, fully attesting to his meeting the Financial Supervisory Commission's requirements for natural-person professional directors. In his long banking career, Mr. Lo has accumulated all the necessary competences: business administration, leadership, decision-making, international perspectives, crisis and risk management, and lending expertise. In the days ahead, the Bank is ready to continue drawing on Mr. Lo's expertise and experience as it strives for business expansion and earnings growth.</p>	<p>The independence of Mr. Kenneth C.M. Lo is as follows:</p> <ul style="list-style-type: none"> ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. 	0

Criteria Name	Professional Qualifications and Experiences	Independence (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Yeh, Roy J.Y.	<ul style="list-style-type: none"> ■ Managing Director of the Bank <p>Mr. Roy J.Y. Yeh is the Bank's managing director. He holds the following concurrent positions: chairman, IBT Management Corporation; chairman, IBT VII Venture Capital Co., Ltd.; director, IBT Leasing Co., Ltd.; director, IBT International Leasing Corp., etc.</p> <p>Mr. Yeh has accumulated an extensive experience and built up competences in risk management and lending business at the Bank through taking such positions as Chief Corporate Banking Officer, Senior Executive Vice President of Risk Management Department, and president of the Bank's leasing subsidiary. The Bank will continue enlisting Mr. Yeh's expertise and experience to sustain development going forward.</p>	<p>The independence of Mr. Roy J.Y. Yeh is as follows:</p> <ul style="list-style-type: none"> ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank. 	0
Hu, Fu-Hsiung	<ul style="list-style-type: none"> ■ Independent Managing Director of the Bank ■ Convener of the Bank's Compensation Committee ■ Convener of the Bank's Corporate Governance and Nomination Committee ■ Member of the Bank's Audit Committee <p>Mr. Fu-Hsiung Hu is not only the Bank's independent managing director but also Walsin Lihwa Corp.'s independent director.</p> <p>Previously Mr. Hu served as chairman of Taiwan Cooperative Securities Co., Ltd. and Joint Credit Information Center and director of Taiwan Cooperative Bank, Mega International Commercial Bank, and Taiwan Ratings Corp. He also had experience working for such government agencies as the Executive Yuan, Ministry of Economic Affairs, and Council of Agriculture. Given his extensive experience spanning both the financial services industry and the public sector, he fully meets the Financial Supervisory Commission's requirements for natural-person professional directors. In the days ahead, the Bank is ready to further enhance management efficiency by enlisting Mr. Hu's experience and expertise in banking, corporate governance, and risk management.</p>	<p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Hu:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. 	1

Criteria Name	Professional Qualifications and Experiences	Independence (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Lin, Hank H.K.	<ul style="list-style-type: none"> ■ Independent Director of the Bank ■ Convener of the Bank's Audit Committee ■ Member of the Bank's Compensation Committee ■ Member of the Bank's Corporate Governance and Nomination Committee <p>Mr. Hank H.K. Lin is the Bank's independent director. He holds the following concurrent positions: chairman, EY Cultural and Educational Foundation; supervisor, Union MechTronic Inc.; director, St. Ann Medical Co. Ltd.; director, Globe Union Industrial Corp.</p> <p>Mr. Lin spent over 20 years at EY Taiwan as CPA, managing partner, and chief CPA at its Taichung branch. With his ample experience in auditing and competences in finance, accounting, and corporate governance, he helped the Bank's Audit Committee facilitate communication between CPAs and internal audit officers as the Bank strives to improve corporate governance by ensuring fair presentation of financial statements, effective implementation of internal control, and sound management of operational risk.</p>	<p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Lin:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. 	0

Criteria Name	Professional Qualifications and Experiences	Independence (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Liu, Richard R.C.	<ul style="list-style-type: none"> ■ Independent Director of the Bank ■ Member of the Bank's Audit Committee ■ Member of the Bank's Compensation Committee <p>Mr. Richard R.C. Liu is the independent director of the Bank as well as the independent director of Taiwan Aulisa Medical Devices Technologies, Inc.</p> <p>An expert in public administration and economics with international perspectives and economic and financial expertise, Mr. Liu previously held key positions at the Ministry of Economic Affairs and Ministry of Finance. Liu was also director of Taishin International Bank, independent director of First Commercial Bank, and managing director of Hua Nan Bank. Given his solid expertise and experience, Mr. Liu fully meets the Financial Supervisory Commission's requirements for natural-person professional directors. In the days ahead, the Bank is ready to continue enlisting his competences and expertise in banking operations to ensure effective implementation of corporate governance and internal control and keep up its growth momentum.</p>	<p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Liu:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. 	1
Huang, Edward Chien-Chiang	<ul style="list-style-type: none"> ■ Director of the Bank <p>Mr. Edward Chien-Chiang Huang is director of the Bank. He holds the following concurrent positions: chairman, Ho-Ping Industrial Port Corporation; chairman, Feng Sheng Industrial Co., Ltd.; chairman, TCC Fuzhou Cement Co., Ltd.; director, Ho-Ping Power Company, etc.</p> <p>A professional manager working for the Taiwan Cement group for more than 40 years, Mr. Huang is equipped with the capacity for business judgment, business administration, crisis and risk management as well as industry knowledge and a sound perspective of the global market. The Bank will continue enlisting his expertise and experience in driving growth going forward.</p>	<p>The independence of Mr. Edward Chien-Chiang Huang is as follows:</p> <ul style="list-style-type: none"> ■ Not a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank 	0

Criteria Name	Professional Qualifications and Experiences	Independence (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chen, Shih-Tze	<p>■ Director of the Bank</p> <p>Ms. Shih-Tze Chen is the Bank's director. She holds the following concurrent positions: chairman, Ming Shan Investment Co., Ltd.; chairman, Yi Chang Investment Co., Ltd.; chairman, Tai Hsuan Investment Co., Ltd.; chairman, Tai Ya Investment Co., Ltd.; director, Kogyoku Foods Co., Ltd.; director, O-Bank Education Foundation, etc.</p> <p>Besides sitting on the board of International Bank of Taipei, Ms. Chen previously acted as the Bank's managing director. Serving the O-Bank board for more than two decades has fully familiarized her with banking operations and operational management. The Bank will continue enlisting her experience in business judgment and management to keep up growth momentum going forward.</p>	<p>The independence of Ms. Shih-Tze Chen is as follows:</p> <ul style="list-style-type: none"> ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. 	0
Cheng, George C.J.	<p>■ Director of the Bank</p> <p>Mr. George C.J. Cheng is the Bank's director. He holds the following concurrent positions: chairman, San Ho Development Co., Ltd.; chairman, Abag Enterprise Co., Ltd.; chairman, Abag Investment Holdings Co., Ltd.; director and president, San Ho Plastics Fabrication Co., Ltd., etc.</p> <p>Mr. Cheng has extensive exposure to industries and competences in business judgment and administration. As Mr. Cheng is well-positioned to counsel on operational strategies and business administration, the Bank is ready to continue enlisting his expertise to bolster operations going forward.</p>	<p>The independence of Mr. George C.J. Cheng is as follows:</p> <ul style="list-style-type: none"> ■ Not a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank. 	0
Lee, Mark J.C.	<p>■ Director of the Bank</p> <p>Mr. Mark J.C. Lee is the Bank's director. He holds the following concurrent positions: chairman, Sung Yuan Development Co., Ltd.; director, Bai Tong Investment Co., Ltd.; director, Heng Gi Lie Investment Ltd.; president, Heng Tong Machinery Co., Ltd.; president, Heng Kuo Co., Ltd.</p> <p>Mr. Lee is equipped with solid experience in business administration and competences in business judgment, business management, and financial accounting. As Mr. Lee is well-positioned to counsel on operational strategies and financial accounting, the Bank is ready to continue enlisting his expertise to achieve its operational goals.</p>	<p>The independence of Mr. Mark J.C. Lee is as follows:</p> <ul style="list-style-type: none"> ■ Not a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank. ■ Not a governmental, juridical person or its representative. 	0

Criteria Name	Professional Qualifications and Experiences	Independence (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Lee, Elton F.Y.	<ul style="list-style-type: none"> ■ Director/President of the Bank <p>Mr. Elton F.Y. Lee acts as both the Bank's director and president as well as O-Bank subsidiary EverTrust Bank's director.</p> <p>Prior to his joining O-Bank, Mr. Lee acted as HSBC Taiwan's SVP and commercial banking chief, the first chief executive of HSBC's Suzhou Branch, and VP of HSBC's Shenzhen Branch charged with serving Taiwanese businesses. In 2012, Mr. Lee came to the Bank and became chief executive of its Hong Kong Branch. During his seven-year tenure there, the branch enjoyed an over fivefold surge in pretax profit and made a key earnings driver of the Bank thanks to his dedication to promoting growth and serving customers. Mr. Lee became president of the Bank in February 2020. In the days ahead, the Bank is set to count on Mr. Lee's solid expertise and experience in business administration, leadership, decision-making, and risk management as well as international perspectives to move up to even higher ground going forward.</p>	<p>The independence of Mr. Elton F.Y. Lee is as follows:</p> <ul style="list-style-type: none"> ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank. 	0
Lin, Gordon W.C.	<ul style="list-style-type: none"> ■ Director of the Bank <p>Mr. Gordon W.C. Lin is the Bank's director. He holds the following concurrent positions: chairman, IBT Leasing Co., Ltd.; chairman, IBT International Leasing Corp.; director, IBTS Holdings Ltd., etc.</p> <p>Previously Mr. Lin served as the Bank's deputy president, chairman of IBT Securities Co., Ltd., and director of the O-Bank Education Foundation. In the days ahead, the Bank will continue enlisting his expertise and experience in financial accounting, business management, and banking and leasing businesses to help both the Bank and its leasing subsidiaries keep growing.</p>	<p>The independence of Mr. Gordon W.C. Lin is as follows:</p> <ul style="list-style-type: none"> ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank. 	0
Lo, Nina Y.C.	<ul style="list-style-type: none"> ■ Director of the Bank <p>Ms. Nina Y.C. Lo is the director of the Bank, chairman of Prudential Fortune Investment Co., Ltd.'s chairman, as well as director of Taiwan Art & Business interdisciplinary Foundation.</p> <p>Previously Ms. Lo served as International Bank of Taipei's director, project manager at the Bank's Risk Management Department, and CEO of the O-Bank Education Foundation. In the days ahead, the Bank will continue enlisting her expertise and experience in banking business, risk management, and sustainability to further promote growth and achieve its ultimate goal of sustainable development.</p>	<p>The independence of Ms. Nina Y.C. Lo is as follows:</p> <ul style="list-style-type: none"> ■ Not a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. 	0

Criteria Name	Professional Qualifications and Experiences	Independence (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Lin, Bill K.C.	<ul style="list-style-type: none"> ■ Director of the Bank <p>Mr. Bill K.C. Lin is the Bank's director. He holds the following concurrent positions: director, EasyCard Investment Holding Co., Ltd.; director, EasyCard Corporation; director, UUPON INC.; director, Curdoctor Information Service Corp.; independent director, GOMAJI Corp.</p> <p>Mr. Lin spent more than five years at Taishin International Bank where he served in the position of assistant manager or a higher or equivalent position in its head office. Given his professional experience in the banking industry, he fully meets the Financial Supervisory Commission's requirements for natural-person professional directors. Separately, Mr. Lin is also a professional equipped with industry knowledge and expertise in digital banking who holds key positions at 17Life Inc., PayEasy Digital Integration Co., Ltd., PayEasy.com, and the Taiwan Internet and E-Commerce Association (TiEA). The Bank will continue enlisting his professional competence to bolster its capacity for innovating corporate banking, personal banking, and digital banking services and enhancing service quality across the board.</p>	<p>The independence of Mr. Bill K.C. Lin is as follows:</p> <ul style="list-style-type: none"> ■ Not a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank. ■ Not a governmental, juridical person or its representative. 	1

Note 1: None of the Bank's directors has committed any of the violations listed in Article 30 of the Company Act.

- 2: The Bank's directors faithfully stand by the principle of recusal. When it comes to any item involving personal interests that may harm the Bank's interests, directors do not participate in the discussion of and voting on the said item and do not vote on behalf of other directors.
- 3: "Company with a specific relationship with the Bank" refers to a company defined by Subsection 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

E. Board Diversification and Independence

1. Board Diversification

In accordance with the Articles of Incorporation, the Bank adopts the candidate nomination system for elections of directors. The selection of board members is not dictated by gender, age, race, or nationality, and the Bank shall bring into professional and experienced elites from various fields to conform to the Bank's diversified development. The Board members shall be equipped with the knowledge, skills, and aptitude needed to perform their duties, so as to achieve excellence in corporate governance. Moreover, the Board shall be equipped with the capacity for business judgment, accounting and financial analysis, business administration, risk management, crisis management, industry knowledge, a sound perspective of the global market, leadership, and decision making.

Reflecting its emphasis on the board diversity, the Bank's 8th Board of Directors comprises elites from the financial, industrial and academic communities. With 10 of them holding master's degrees, they span such disciplines as economics, commerce, business administration, accounting, insurance, public administration, and languages. Directors representing the Board's capacity for business judgment, business administration, leadership, and decision making are Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, and Elton F.Y. Lee; financial accounting, Hank H.K. Lin, Mark J.C. Lee, and Gordon W.C. Lin; industry

knowledge, Edward Chien-Chiang Huang, George C.J. Cheng, and Bill K.C. Lin; risk management, Roy J.Y. Yeh, Fu-Hsiung Hu, and Nina Y.C. Lo; international perspectives, Tina Y. Lo, Kenneth C.M. Lo, Elton F.Y. Lee, and Richard R.C. Liu. As such, all members of the Board of Directors are not only equipped with the knowledge, skills, and aptitude needed to perform their duties but also fully competent in the areas of banking, finance, commerce, law, and industry respectively.

Of the Bank's 14 incumbent directors, three are independent directors, (or 21.4%,) recorded not more than 9 years of service. In terms of age distribution, four directors are aged under 60, five between 61-70, and five over 71, attesting to a thorough mix of experience and innovation. Furthermore, the Bank pays attention to gender equality in the composition of its Board of Directors, with its aim at 25% of female directors or more. In the Bank's 8th Board of Directors, there are three female directors, or 21%. Priority will be given to considering female candidates in future board elections in order to attain the aforesaid aim. Separately, there is one director (7%) who is the employee (including employees of the Bank's affiliates) in a concurrent capacity.

At its 5th meeting on December 23, 2020, the Bank's 8th Board of Directors enacted the Bank's "Diversity Policy, Independence Standard, Continuing Education Initiative Program, and Succession Planning for the Board of Directors." The Bank makes it a point to adopt the policy of diversity with regard to composition of the Board of Directors, enhance the independence of the Board, and strengthen the Board functions, so as to bolster corporate governance and attain sustainable development. The objective is to ensure the diversity and independence of the Board members and strengthen the Board functions, thereby bolstering corporate governance and attaining sustainable development.

2. Board Independence

Of the Bank's 14 incumbent directors, three are independent directors, or 21.4%. The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted the evaluation against different criteria to ascertain the independence of the Bank's independent directors.

The Bank evaluates the independence of both independent and all other directors. The criteria include but are not confined to the following: whether or not directors hold concurrent positions in the Bank or its affiliates; whether or not directors and their spouses, minor children, or the person under other's names hold over 1% of the Bank's total issued shares or rank among its top 10 shareholders; whether or not directors also serve as a director, supervisor, or employee in any company with a specific relationship with the Bank (Note); whether or not directors have rendered any business, legal, financial, or accounting services to the Bank or its affiliates over the past two years; whether or not directors are spouses or are related to one another within the second degree of kinship; and whether or not directors are elected in the capacity of the government, a juridical person, or a representative thereof.

The Bank evaluates the independence of its Board of Directors against the aforesaid criteria. The independence of directors (including independent directors) is presented in the preceding table. The Bank's Board of Directors has been formed in compliance with paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act. For information on directors who are spouses or are related to one another

within the second degree of kinship (if applicable), please refer to the “Directors, Supervisors and Management Team” section of this annual report.

Note: “Company with a specific relationship with the Bank” refers to a company defined by Subsection 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

(2) Management Team

Apr. 19, 2022
Unit: Shares/%

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Republic of China	Lee, Elton F.Y.	Male	2020.02.01	1,369,000	0.05	-	-	-	-	Deputy President, O-Bank MBA, Manchester Business School	Director, EverTrust Bank	-	-	-	-
Deputy President	Republic of China	Lin, Roger Y.F.	Male	2017.03.01	1,617,091 *300,000	0.06 *0.10	-	-	-	-	Senior Executive Vice President, O-Bank Master of International Business, National Taiwan University	-	-	-	-	-
Senior Executive Vice President	Republic of China	Chyr, Y. H.	Male	2020.09.01	280,000	0.01	-	-	-	-	Senior Executive Vice President, Cathay United Bank Master of Science in Industrial Engineering, New Jersey Institute of Technology	-	-	-	-	-
Senior Executive Vice President	Republic of China	Wang, Chia Chi	Female	2021.04.26	70,000	0.00	-	-	-	-	Senior Vice President/Chief Board Secretary, Citibank Taiwan Limited LLM, University of Connecticut, School of Law	-	-	-	-	-
Executive Vice President	Republic of China	Fan, Vivian H.J.	Female	2017.04.17	346,393 *300,000	0.01 *0.10	-	-	-	-	Senior Vice President, O-Bank Bachelor of Science in Information Management, Fu Jen Catholic University	-	-	-	-	-
Executive Vice President	Republic of China	Siew, Joy C.Y.	Female	2021.03.01	496,000 *300,000	0.02 *0.10	-	-	-	-	Senior Vice President, O-Bank Master of Arts in International Relations, Johns Hopkins University	Director, China Bills Finance Corp.	-	-	-	-
Executive Vice President	Republic of China	Chih, Eric V. C.	Male	2021.07.28	10,000	0.00	-	-	-	-	Senior Deputy Executive Vice President, Far Eastern Int'l Bank MBA, The George Washington University	-	-	-	-	-
Executive Vice President	Republic of China	Chao, Tillie C.L.	Female	2021.07.28	30,000	0.00	-	-	-	-	Chief Risk Officer, ANZ Banking MBA, National Taiwan University Science & Technology	Supervisor, IBT Management Corporation Supervisor, IBT VII Venture Capital Co., Ltd.	-	-	-	-
Executive Vice President	Republic of China	Chen, Paul H.J.	Male	2020.03.01	84,097 *50,000	0.00 *0.02	-	-	-	-	Senior Vice President, O-Bank Master of Law, National Cheng Chi University	-	-	-	-	-
Executive Vice President	Republic of China	Wang, John Y.C.	Male	2018.01.15	112,364 *25,000	0.00 *0.01	-	-	-	-	Executive Vice President, Corporate Banking Division 1, TC Bank Bachelor of Business Administration, National Cheng Kung University	-	-	-	-	-
Executive Vice President	Republic of China	Chin, Teddy Y.T.	Male	2016.03.01	345,917 *30,000	0.01 *0.01	-	-	-	-	Senior Vice President, O-Bank Master of Science in Economics, National Taiwan University	-	-	-	-	-

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Executive Vice President	Republic of China	Tang, Jack J.H.	Male	2021.07.29	25,000	0.00	-	-	-	-	Senior Vice President, Regional Banking Department, Taipei Fubon Bank Bachelor of Finance, Chaoyang University of Technology	-	-	-	-	-
Executive Vice President	Republic of China	Lai, Joseph L.J.	Male	2014.03.01	511,000 *90,000	0.02 *0.03	-	-	-	-	Senior Vice President, O-Bank MBA, University of Birmingham	-	-	-	-	-
Executive Vice President	Republic of China	Fang, Stanley H.W.	Male	2018.03.15	295,000	0.01	-	-	-	-	Executive Vice President, Taishin International Bank Master of Science in International Business, Tamkang University	-	-	-	-	-
Executive Vice President	Republic of China	Yeh, Stephen K. W.	Male	2021.03.23	60,000	0.00	-	-	-	-	Senior Vice President, Deputy Head, Commercial Banking, Taipei Fubon Bank Bachelor of International Trade Business, Fu Jen Catholic University	-	-	-	-	-
Executive Vice President	Republic of China	Hsieh, Leo T. J.	Male	2020.05.28	10,000	0.00	-	-	-	-	Executive Vice President, Dafei Cloud Loan (Beijing) Co., Ltd Bachelor of Economics, Fu Jen Catholic University	-	-	-	-	-
Executive Vice President	Republic of China	Tan, Kevin H.C.	Male	2021.03.01	392,037 *50,000	0.01 *0.02	10,383	0.00	-	-	Senior Vice President, O-Bank MBA, National Chengchi University	-	-	-	-	-
Executive Vice President	Republic of China	Wang, Alan J.J.	Male	2021.08.21	20,000	0.00	-	-	-	-	Executive Vice President, TK3C Bachelor of Computer Science and Information Engineering, Fu Jen Catholic University	-	-	-	-	-
Executive Vice President	Republic of China	Shao, Wen W.C.	Male	2016.02.01	409,412 *100,000	0.01 *0.03	-	-	-	-	Executive Vice President, IBT International Leasing Corp. MBA, Case Western Reserve University	Director, IBT International Leasing Corp. Director, Beijing Sunshine Consumer Finance Co., Ltd	-	-	-	-
Senior Vice President	Republic of China	Chang, Ophelia L.W.	Female	2021.03.01	250,000 *300,000	0.01 *0.10	-	-	-	-	Vice President, O-Bank Bachelor of International Business, National Taiwan University	-	-	-	-	-
Senior Vice President	Republic of China	Chang, Samson W. Y.	Male	2020.09.01	100,000	0.00	-	-	-	-	Vice President, OBU, Yuanta Bank MBA, Tunghai University	-	-	-	-	-
Senior Vice President	Republic of China	Soong, Grace L.H.	Female	2019.03.01	180,000	0.01	-	-	-	-	Vice President, O-Bank MBA, University of California	-	-	-	-	-
Senior Vice President	Republic of China	Fang, Andy C.P.	Male	2017.03.01	170,000	0.01	-	-	-	-	Vice President, O-Bank Master of Science in Information Resource Management, Syracuse University	-	-	-	-	-
Senior Vice President	Republic of China	Tsou, Landy H.C.	Female	2019.8.26	50,000	0.00	-	-	-	-	Vice President, Wealth Management Department, SK Bank MBA, National Cheng Chi University	-	-	-	-	-

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Vice President	Republic of China	Hsu, Pei Ling	Female	2019.08.26	160,000	0.01	-	-	-	-	Vice President, Corporate Development Division, Fubon Financial Holding Co. Ltd. MBA, Massachusetts Institute of Technology, Sloan School of Management	-	-	-	-	-
Senior Vice President	Republic of China	Yang, Becky Y.W.	Female	2016.05.16	64,000	0.00	-	-	-	-	Vice President, Strategic Planning & Cards Change Management Head, CitiPhone, Citibank(Taiwan) MBA, Golden Gate University	-	-	-	-	-
Senior Vice President	Republic of China	Chen, Gaven Y.	Male	2020.03.01	230,000 *30,000	0.01 *0.01	-	-	-	-	Vice President, O-Bank Bachelor of Finance and Economic, Tamsui Oxford University College	-	-	-	-	-
Senior Vice President	Republic of China	Hung, Ida K.Y.	Female	2022.03.01	144,000 *10,397	0.01 *0.00	-	-	-	-	Vice President, O-Bank Master of Statistics, National Cheng Chi University	-	-	-	-	-
Senior Vice President	Republic of China	Liu, Arnold H.I	Male	2022.01.01	-	-	-	-	-	-	Senior Finance Manager, ANZ Bank Taiwan MBA, Fu Jen Catholic University	-	-	-	-	-
Senior Vice President	Republic of China	Huang, Colleen S.J.	Female	2022.01.03	-	-	-	-	-	-	Director, TPISoftware Information Corporation Bachelor of English, National Chengchi University	-	-	-	-	-
Senior Vice President	Republic of China	Chen, C.Y.	Male	2020.03.01	159,599	0.01	10,383	0.00	-	-	Vice President, O-Bank EMBA, National Tsing Hua University	-	-	-	-	-
Senior Vice President	Republic of China	Hung, Steven H.H.	Male	2021.11.04	-	-	-	-	-	-	Senior Project Manager, Temenos Singapore Pte Ltd (Taiwan Branch) Bachelor of Animal Science, National Chung Hsing University	-	-	-	-	-
Senior Vice President	Republic of China	Lin, Doris C. J.	Female	2022.03.01	125,000 *10,000	0.00 *0.00	-	-	-	-	Vice President, O-Bank Master of Management Sciences, Tamkang University	-	-	-	-	-
Vice President	Republic of China	Chang, Wesley S.C.	Male	2015.11.01	115,000 *12,585	0.00 *0.00	-	-	-	-	Assistant Vice President, O-Bank Master of Law in International and European Business law, University of Leeds	-	-	-	-	-
Vice President	Republic of China	Lin, Ted K.T.	Male	2021.05.06	15,000	0.00	-	-	-	-	Vice President, Bank of East Asia Master of Statistics and Information Science, Fu Jen Catholic University	-	-	-	-	-
Vice President	Republic of China	Lee, Daisy T.H.	Female	2017.04.17	178,458	0.01	-	-	-	-	Assistant Vice President, O-Bank MBA, Cornell University	-	-	-	-	-
Vice President	Republic of China	Chung, Eddie H.T.	Male	2022.03.10	*189,000	*0.06	-	-	-	-	Vice President, O-Bank MBA, University of Oregon	-	-	-	-	-

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President	Republic of China	Li, Barry C.K.	Male	2022.01.01	339,000	0.01	-	-	-	-	Vice President, O-Bank Bachelor of Accounting, Tamkang University	-	-	-	-	-
Vice President	Republic of China	Chen, Jane C.C.	Female	2021.03.23	10,000	0.00	-	-	-	-	Vice President, O-Bank Master of Science in Information Management, Fu Jen Catholic University	-	-	-	-	-
Vice President	Republic of China	Hu, Max C.M.	Male	2021.08.21	15,000	0.00	-	-	-	-	Assistant Vice President, TK3C EMBA, Yuan Ze University	-	-	-	-	-
Vice President	Republic of China	Chen, Yuko Y. C.	Female	2022.03.01	17,012	0.00	-	-	-	-	Assistant Vice President, O-Bank MBA, University of Southern Queensland	-	-	-	-	-
Assistant Vice President	Republic of China	Chen, Judy S.F.	Female	2020.03.02	60,000	0.00	-	-	-	-	Sales Manager, Wealth Management Dept., Taichung Bank Master of Finance, National Central University	-	-	-	-	-
Assistant Vice President	Republic of China	Lee, Alex L.Z.	Male	2022.01.01	-	-	-	-	-	-	Assistant Vice President, O-Bank Bachelor of Cooperative Economics, National Taipei University	-	-	-	-	-
Assistant Vice President	Republic of China	Tai, Hsin Yi	Female	2021.11.12	27,000 *200,000	0.00 *0.07	-	-	-	-	Assistant Vice President, O-Bank Master of Accounting, National Taiwan University	-	-	-	-	-
Assistant Vice President	Republic of China	Wu, Antony Y.C.	Male	2022.01.01	78,419	0.00	-	-	-	-	Assistant Vice President, O-Bank Bachelor of Information Management, National Taiwan University of Science and Technology	-	-	-	-	-
Assistant Vice President	Republic of China	Chiu, Em Y.C.	Female	2022.01.01	-	-	-	-	-	-	Manager, O-Bank MBA, National Kaohsiung University of Science and Technology	-	-	-	-	-

Note1: "*" denotes Class A Preferred Shares in this Table.

Note2: Where the president of the Board of Directors and the chairman or person of an equivalent post (the highest-ranking manager) are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for such and the reasonableness and necessity thereof, as well as the measures adopted in response thereto, such as increasing seats for independent directors and having a majority of directors refrain from serving concurrently as employees or managerial officers.

(3) Return to consultant

Chairmen of the board and presidents rehired as consultant after retiring from the Bank or its affiliate enterprises: None.

3. Remuneration of Directors, President, Deputy Presidents, Vice Presidents and Consultants, and Remuneration of employees in the Most Recent Fiscal Year

(1) Remuneration of Non-independent Directors and Independent Directors

December 31, 2021
Unit: NT\$ thousands/%

Title	Name	Remuneration								Total Remuneration (A+B+C+D) and ratio to Net Income (%)								Relevant Remuneration Received by Directors Who are Also Employees				Total Compensation (A+B+C+D+E+F+G) and ratio to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or from the Company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D) (Note 2)		Salary, Bonuses, and Allowances (E) (Note 2)		Severance Pay (F)		Employee Compensation (G) (Note 3)		Total Compensation (A+B+C+D+E+F+G) and ratio to Net Income (%)								
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The company	Companies in the consolidated financial statements			
Chairman	Lo, Tina Y.	15,182	15,910	236	236	-	-	992	1,328	16,410.89	17,474.95	-	-	-	-	-	-	-	-	16,410.89	17,474.95	None		
Chairman	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)																							
Managing Director	Lo, Kenneth C.M.																							
Managing Director	Taiwan Cement Corporation (Rep.: Chang, Nelson An-Ping)																							
Managing Director	Yi Chang Investment Co., Ltd. (Rep.: Yeh, Roy J.Y.)																							
Director	Tai Ya Investment Co., Ltd. (Rep.: Chen, Shih-Tze)																							
Director	Abag Investment Holdings Co., Ltd. (Rep.: Cheng, George C.J.)	9,127	23,015	-	-	52,339	52,339	2,410	3,493	63,876.347	78,847.428	31,016	31,016	108	108	905	-	905	-	95,904.521	110,876.602	None		
Director	Lee, Mark J.C.																							
Director	Tai Ya Investment Co., Ltd. (Rep.: Lee, Elton F.Y.)																							
Director	Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.)																							
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.)																							
Director	Lee, Yunny Y. (Note 1)																							
Director	Lin, Bill K.C.																							
Independent Managing Director	Hu, Fu-Hsiung																							
Independent Director	Lin, Hank H.K.	6,000	6,000	-	-	-	-	534	534	6,534.035	6,534.035	-	-	-	-	-	-	-	-	6,534.035	6,534.035	None		
Independent Director	Liu, Richard R.C.																							

Note 1: 2021 term of office from January 1, 2021 to September 16, 2021: Lee, Yunny Y.

Note 2: Compensation for chauffeurs assigned to directors amounted to NT\$2,059 thousand and that for those assigned to employees charged with concurrent posts, NT\$827 thousand.

Note 3: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2021. The amount given here is an estimate based on the actual distribution for 2020.

1. Spell out the policy, system, criteria, and structure concerning remuneration of independent directors as well as such remuneration's correlation with their duties, risk assumed, and time devoted:

In accordance with its Articles of Incorporation, the Bank excludes independent directors from distribution of earnings but may pay them remuneration no matter if it makes a profit or loss. The Board of Directors is authorized to decide on remuneration for independent directors on the basis of their involvement in the Bank's operations, the value of their contributions, and the result of performance evaluation of the Board while also taking into account such remuneration among industry peers.

2. Except for the items disclosed above, remuneration collected by directors for rendering services (to the Company, companies in its consolidated financial statements, or its investees as non-employee advisors) during the most recent year: None.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	Yeh, Roy J.Y. \ Chen, Shih-Tze \ Cheng, George C.J. \ Lee, Elton F.Y. \ Lin, Gordon W.C. \ Lo, Nina Y.C.	Chen, Shih-Tze \ Cheng, George C.J. \ Lee, Elton F.Y. \ Lo, Nina Y.C.	Yeh, Roy J.Y. \ Chen, Shih-Tze \ Cheng, George C.J. \ Lin, Gordon W.C. \ Lo, Nina Y.C.	Chen, Shih-Tze \ Cheng, George C.J. \ Lo, Nina Y.C.
NT\$ 1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Chang, Nelson An-Ping \ Lin, Hank H.K. \ Liu, Richard R.C.	Chang, Nelson An-Ping \ Lin, Hank H.K. \ Liu, Richard R.C.	Chang, Nelson An-Ping \ Lin, Hank H.K. \ Liu, Richard R.C.	Chang, Nelson An-Ping \ Lin, Hank H.K. \ Liu, Richard R.C.
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Abag Investment Holdings Co., Ltd. \ Lee, Yunny Y. \ Hu, Fu- Hsiung	Abag Investment Holdings Co., Ltd. \ Lee, Yunny Y. \ Hu, Fu- Hsiung	Abag Investment Holdings Co., Ltd. \ Lee, Yunny Y. \ Hu, Fu- Hsiung	Abag Investment Holdings Co., Ltd. \ Lee, Yunny Y. \ Hu, Fu- Hsiung
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Lee, Mark J.C. \ Lin, Bill K.C.	Yeh, Roy J.Y. \ Lee, Mark J.C. \ Lin, Bill K.C.	Lee, Mark J.C. \ Lin, Bill K.C.	Yeh, Roy J.Y. \ Lee, Mark J.C. \ Lin, Bill K.C.
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Lo, Kenneth C.M. \ Taiwan Cement Corporation \ Tai Ya Investment Co., Ltd.	Lo, Kenneth C.M. \ Taiwan Cement Corporation \ Tai Ya Investment Co., Ltd.	Lo, Kenneth C.M. \ Taiwan Cement Corporation \ Tai Ya Investment Co., Ltd.	Lo, Kenneth C.M. \ Taiwan Cement Corporation \ Tai Ya Investment Co., Ltd.
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Yi Chang Investment Co., Ltd.	Lin, Gordon W.C. \ Yi Chang Investment Co., Ltd.	Yi Chang Investment Co., Ltd.	Lin, Gordon W.C. \ Yi Chang Investment Co., Ltd.
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Lo, Tina Y. \ Ming Shan Investment Co., Ltd.	Lo, Tina Y. \ Ming Shan Investment Co., Ltd.	Lo, Tina Y. \ Ming Shan Investment Co., Ltd.	Lo, Tina Y. \ Ming Shan Investment Co., Ltd.
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-	Lee, Elton F.Y.	Lee, Elton F.Y.
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
Greater than or equal to NT\$100,000,000	-	-	-	-
Total	20	20	20	20

Note: The compensation amounts disclosed here are not a conceptual equivalent to the "income" defined in the Income Tax Act. As such, these numbers are meant for information disclosure instead of taxation.

(2) Remuneration of President and Vice Presidents

December 31, 2021
Unit: NT\$ thousands/%;

Title	Name	Remuneration								Total Remuneration (A+B+C+D) and ratio to Net Income (%)		Compensation Paid to President and Vice Presidents from an Invested Company Other than the Company's Subsidiary or from the Company		
		Base Compensation (A)		Severance Pay (B)		Bonus to Supervisors (C) (note1)		Allowances (D) (note2)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements				
		Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock	The company	Companies in the consolidated financial statements			
President	Lee, Elton F.Y.													
Deputy President	Chang, David C.C. (Note 3)													
Deputy President	Lin, Roger Y.F.													
Senior Executive Vice President	Liu, Nancy S.F. (Note 3)													
Senior Executive Vice President	Huang, Indra Y.C. (Note 3)													
Senior Executive Vice President	Chang, Niel W.F.													
Senior Executive Vice President	Liu, Gary C. Y. (Note 3)													
Senior Executive Vice President	Chyr, Y. H.													
Senior Executive Vice President	Wang, Chia Chi (Note 3)													
Executive Vice President	Fan, Vivian H.J.													
Executive Vice President	Wang, John Y.C.													
Executive Vice President	Chin, Teddy Y.T.													
Executive Vice President	Lai, Joseph L.J.	75,620	77,860	2,818	2,818	72,903	75,074	3,922	—	3,922	—	155,263 8.43	159,674 8.67	—
Executive Vice President	Fang, Stanley H.W.													
Executive Vice President	Lin, Tom A.K. (Note 3)													
Executive Vice President	Chen, Paul H.J.													
Executive Vice President	Shao, Wen W.C.													
Executive Vice President	Tyane, Edward F.C. (Note 3)													
Executive Vice President	Tsai, Joseph T.S. (Note 3)													
Executive Vice President	Wu, Simon W.H. (Note 3)													
Executive Vice President	Siew, Joy C.Y.													
Executive Vice President	Hsieh, Leo T.J.													
Executive Vice President	Yeh, Stephen K.W. (Note 3)													
Executive Vice President	Chao, Tillie C.L. (Note 3)													
Executive Vice President	Chih, Eric V. C. (Note 3)													
Executive Vice President	Tang, Jack J.H. (Note 3)													
Executive Vice President	Wang, Alan J.J. (Note 3)													

Note 1: Compensation for chauffeurs amounted to NT\$2,270 thousand.

Note 2: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2021. The amount given here is an estimate based on the actual distribution for 2020.

Note 3: 2021 tenure of managerial officers: Chang, David C.C. (1.1~7.25) 、Liu, Nancy S.F. (1.1~4.25) 、Huang, Indra Y.C. (1.1~4.15) 、Liu, Gary C. Y. (1.1~8.6) 、Wang, Chia Chi (4.26~12.31) 、Lin, Tom A.K. (1.1~3.15) 、Tyane, Edward F.C. (1.1~11.11) 、Tsai, Joseph T.S. (1.1~7.16) 、Wu, Simon W.H. (1.1~1.31) 、Yeh, Stephen K.W. (3.23~12.31) 、Chao, Tillie C.L.(7.28~12.31) 、Chih, Eric V. C. (7.28~12.31) 、Tang, Jack J.H (7.29~12.31) 、Wang, Alan J.J. (8.21~12.31).

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	Wu, Simon W.H. ∙ Lin, Tom A.K.	Wu, Simon W.H. ∙ Lin, Tom A.K.
NT\$ 1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Wang, Alan J.J. ∙ Tsai, Joseph T.S. ∙ Liu, Nancy S.F. ∙ Huang, Indra Y.C.	Wang, Alan J.J. ∙ Tsai, Joseph T.S. ∙ Liu, Nancy S.F. ∙ Huang, Indra Y.C.
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Hsieh, Leo T. J. ∙ Chao, Tillie C.L. ∙ Chih, Eric V. C. ∙ Tyane, Edward F.C.	Hsieh, Leo T. J. ∙ Chao, Tillie C.L. ∙ Chih, Eric V. C. ∙ Tyane, Edward F.C.
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Chin, Teddy Y.T. ∙ Yeh, Stephen K.W. ∙ Tang, Jack J.H. ∙ Liu, Gary C. Y.	Chin, Teddy Y.T. ∙ Yeh, Stephen K.W. ∙ Tang, Jack J.H. ∙ Liu, Gary C. Y.
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Wang, Chia Chi ∙ Siew, Joy C.Y. ∙ Fan, Vivian H.J. ∙ Chyr, Y. H. ∙ Wang, John Y.C. ∙ Lai, Joseph L.J. ∙ Fang, Stanley H.W. ∙ Shao, Wen W.C. ∙ Chen, Paul H.J. ∙ Chang, David C.C.	Wang, Chia Chi ∙ Siew, Joy C.Y. ∙ Fan, Vivian H.J. ∙ Chyr, Y. H. ∙ Wang, John Y.C. ∙ Lai, Joseph L.J. ∙ Fang, Stanley H.W. ∙ Shao, Wen W.C. ∙ Chen, Paul H.J. ∙ Chang, David C.C.
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Chang, Niel W.F.	Chang, Niel W.F.
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Lin, Roger Y.F.	Lin, Roger Y.F.
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	Lee, Elton F.Y.	Lee, Elton F.Y.
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
More than or equal to NT\$100,000,000	-	-
Total	27	27

Note: Given conceptual differences, the numbers given here are meant for information disclosure instead of taxation.

(3) Remuneration of Employees

December 31, 2021
Unit: NT\$ thousands

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive officers	President	Lee, Elton F.Y.	-	3,922 (Note 1)	3,922	0.21
	Deputy President	Lin, Roger Y.F.				
	Senior Executive Vice President	Wang, Chia Chi (Note 2)				
	Senior Executive Vice President	Chyr, Y. H.				
	Executive Vice President	Fan, Vivian H.J.				
	Executive Vice President	Wang, John Y.C.				
	Executive Vice President	Chin, Teddy Y.T.				
	Executive Vice President	Lai, Joseph L.J.				
	Executive Vice President	Fang, Stanley H.W.				
	Executive Vice President	Chen, Paul H.J.				
	Executive Vice President	Shao, Wen W.C.				
	Executive Vice President	Siew, Joy C.Y.				
	Executive Vice President	Hsieh, Leo T. J.				
	Executive Vice President	Yeh, Stephen K. W. (Note 2)				
	Executive Vice President	Chao, Tillie C.L. (Note 2)				
	Executive Vice President	Chih, Eric V. C. (Note 2)				
	Executive Vice President	Tang, Jack J.H. (Note 2)				
Executive Vice President	Wang, Alan J.J. (Note 2)					

Note 1: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2021. The amount given here is an estimate based on the actual distribution for 2020.

Note 2: 2021 tenure of managerial officers: Wang, Chia Chi (4.26~12.31) · Yeh, Stephen K. W. (3.23~12.31) · Chao, Tillie C.L. (7.28~12.31) · Chih, Eric V. C. (7.28~12.31) · Tang, Jack J.H. (7.29~12.31) · Wang, Alan J.J. (8.21~12.31).

(4) Analysis of the compensation for directors, the president, and vice presidents during the most recent two years:

A. Total compensation paid by the Bank and companies in the consolidated financial statements to directors, the president, and vice presidents during the most recent two years as ratios to the Bank's unconsolidated net profit:

Unit: NT\$ thousands

Year Title	2021					2020				
	Number of persons	Amount		Ratio to net profit		Number of persons	Amount		Ratio to net profit	
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director/ Independent Director	20	118,849	134,884	6.46%	7.33%	27	94,440	108,578	8.23%	9.46%
President and Vice President	27	155,263	159,674	8.43%	8.67%	26	156,501	158,777	13.64%	13.84%
Net Income		1,840,842					1,147,403			

B. Remuneration policies, standards, and packages, procedure for determining remuneration, and linkage thereof to operating performance and future risk exposure:

- 1) Article 22 and 32 of the Bank's Articles of Incorporation prescribe respectively distribution of director remunerations and employee remunerations. If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations (independent directors shall be excluded from such distribution) and 1-2.5% for employees. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.
- 2) The Bank's Board of Directors has set up the Compensation Committee. Composed of the entire number of independent directors, the committee is intended to assist the board in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting, the committee also assesses remunerations for directors and managerial officers on a regular basis.
- 3) With remuneration granted by industry peers also considered for reference, the Bank's director remuneration policy takes account of its own business performance, director contributions and responsibilities, and the result of performance evaluation of Board of Directors. The key evaluation aspects include grasp of company targets and missions, understanding of the directors' duties and responsibilities, participation in company operations, internal relationship management and communications, professional qualifications of directors and continued knowledge development, internal control, etc. Compensation for senior executives comprises fixed pay and variable pay. The Bank basically takes into consideration what is being paid in the industry when deciding on fixed pay that is commensurate with the responsibilities and specialized skills required of their respective positions as well as their on-the-job performance. Variable pay, on the other hand, is subject to the Bank's business performance and future risks as well as the personal performance of the managerial officers in question, based on which reasonable distribution is to be achieved. The performance of managerial officers is appraised against both financial indicators (pretax profit, attainment of short- and long-term

business objectives, etc.) and nonfinancial indicators (the Bank's core value, innovation, leadership and management, legal compliance, internal control, risk management, corporate sustainability, etc.). The Bank's remuneration mechanism not only offers competitive incentives but also takes account of future risks to ensure that managerial remuneration is closely aligned with the Bank's business performance, thereby creating a respectable corporate image, laying a solid foundation for sustainable development, and maximizing employee, customer, and shareholder interests.

- 4) The Bank's remuneration package, pursuant to the Compensation Committee Organizational Regulations, comprises cash compensation, stock warrants, employee stock bonus grants, pensions or severance pays, and allowances or other substantive incentive measures; its scope corresponds to that specified for remuneration for directors and managers in the Regulations Governing Information to Be Published in Annual Reports of Banks.

4. Implementation of Corporate Governance

(1) Board of Directors

A. Board of Managing Directors

A total of 20 (A) meetings of the 8th Board of Managing Directors were held in 2021. The attendance of managing directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)	20	0	100	
Managing Director	Lo, Kenneth C. M.	20	0	100	
Managing Director	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	17	3	85	
Managing Director	Yi Chang Investment Co., Ltd. (Rep.: Yeh, Roy J.Y.)	20	0	100	
Independent Managing Director	Hu, Fu-Hsiung	20	0	100	

B. Board of Directors

A total of 7 (A) meetings of the 8th Board of Directors were held in 2021. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Ming Shan Investment Co., Ltd. (Rep. : Lo, Tina Y.)	7	0	100	
Managing Director	Lo, Kenneth C. M	7	0	100	
Managing Director	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	6	1	86	
Managing Director	Yi Chang Investment Co., Ltd. (Rep. : Yeh, Roy J.Y.)	7	0	100	
Independent Managing Director	Hu, Fu- Hsiung	7	0	100	
Independent Director	Lin, Hank H.K.	7	0	100	

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Liu, Richard R.C.	7	0	100	
Director	Tai Ya Investment Co., Ltd. (Rep.: Chen, Shih-Tze)	6	1	86	
Director	Abag Investment Holdings Co., Ltd. (Rep.: Cheng, George C.J.)	7	0	100	
Director	Lee, Mark J.C.	7	0	100	
Director	Tai Ya Investment Co., Ltd. (Rep.: Lee, Elton F.Y.)	7	0	100	
Director	Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.)	7	0	100	
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.)	7	0	100	
Director	Lee, Yunny Y.	5	0	100	Note
Director	Lin, Bill K.C.	6	0	86	

Note: Ms. Yunny Y. Lee resigned on September 17, 2021.

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

- (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable because, as required by law, the Bank has established the Audit Committee.
- (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors : None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2021.2.24 The 8th Board of Directors in its 6th meeting	Proposal for making a donation to the O-Bank Education Foundation	Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo	In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	Tina Y. Lo, Kenneth C.M. Lo, Nelson An-Ping Chang, Shih-Tze Chen, Nina Y.C. Lo		
2021.3.22 The 8th Board of Directors in its 7th meeting	Release of non-competition restrictions on directors	Tina Y. Lo, Kenneth C.M. Lo, Nelson An-Ping Chang, Shih-Tze Chen, Nina Y.C. Lo		
	Proposal for director remunerations and employee remunerations for 2020	Directors recusing themselves from motion on director remunerations: the entire number of non-independent directors—Tina Y. Lo, Kenneth C.M. Lo, Nelson An-Ping Chang, Roy J.Y. Yeh, Shih-Tze Chen, George C.J. Cheng, Mark J.C. Lee, Elton F.Y. Lee, Gordon W.C. Lin, Nina Y.C. Lo, Yunny. Y. Lee, Bill K.C. Lin Directors recusing themselves from motion on employee remunerations: Elton F.Y. Lee		

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2021.5.5 The 8th Board of Directors in its 8th meeting	Amendment to 2020 Audit plan	Elton F.Y. Lee	In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties) In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest. The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
	Proposal for the Bank's subsidiary IBT International Leasing Corp. to purchase the shares of IBT International Leasing Corp.	Roy J.Y. Yeh, Gordon W.C. Lin		
	Appointment of candidates for chairmen and presidents of the Bank's invested companies and proposal for release of non-competition restrictions on managerial officers	Roy J.Y. Yeh		
2021.8.20 The 8th Board of Directors in its 10th meeting	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo		
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	Tina Y. Lo, Kenneth C.M. Lo, Nelson An-Ping Chang, Shih-Tze Chen, Nina Y.C. Lo		
2021.11.3 The 8th Board of Directors in its 11th meeting	Proposal for making a donation to the National Taiwan University Economic Research Foundation	Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen (abstention), Nina Y.C. Lo		
2021.12.29 The 8th Board of Directors in its 12th meeting	2022 Audit plan	Elton F.Y. Lee		
	2022 Internal Auditing Plan for the Concurrent Conducting of Insurance Agent Business	Elton F.Y. Lee		

Note: "Abstention" in this table refers to a director opting to appoint another director as proxy to attend a board meeting on his/her behalf and specifying in the power of attorney abstention from any motion that may make the former an interested party.

3. Evaluation of Board of Directors:

2021 Internal Evaluation of the Performance of Board of Directors and Functional Committees															
Evaluation Cycle	Once a year														
Evaluation Period	January 1 to December 31, 2021														
Evaluation Scope	Board of Directors, Functional Committees (including Audit Committee, Compensation Committee, and Corporate Governance and Nomination Committee), and Board members (self-assessment)														
Evaluation Method	Self-evaluation of Board of Directors, Functional Committees, and Board Members														
Evaluation Contents	<p>(1) The Bank's internal evaluation of the performance of the Board of Directors employs 5-point scale: "Excellent (5 points), Very Good (4 points), Good (3 points), Fair (2 points), Needs Improvement (1 point)" for quantified evaluation. The resulting average scores are then used for measurement.</p> <p>(2) The Bank's Board performance evaluation covers 5 aspects:</p> <ul style="list-style-type: none"> A. Participation in company operations B. Improvement on the quality of the board's decision making C. Composition and structure of the board of directors D. Election of directors and continued knowledge development E. Internal control <p>(3) Functional committee performance evaluation covers 5 aspects:</p> <ul style="list-style-type: none"> A. Participation in company operations B. Understanding of the committee members' duties and responsibilities C. Improvement on the quality of the committee's decision making D. Composition of the committees and election of the committee members E. Internal control <p>(4) Board member performance evaluation (self-assessment) covers 6 aspects:</p> <ul style="list-style-type: none"> A. Understanding of company goals and missions B. Understanding of the directors' duties and responsibilities C. Participation in company operations D. Internal relationship management and communications E. Professional qualifications of directors and continued knowledge development F. Internal control <p>(5) Result of 2021 Performance Evaluation:</p> <ul style="list-style-type: none"> A. The average score of Board performance evaluation on each aspect is between 4.78~4.93: <table border="1" data-bbox="359 1332 1428 1624"> <thead> <tr> <th>Evaluation Aspect</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>(A) Participation in company operations</td> <td>4.78</td> </tr> <tr> <td>(B) Improvement on the quality of the board's decision making</td> <td>4.90</td> </tr> <tr> <td>(C) Composition and structure of the board of directors</td> <td>4.91</td> </tr> <tr> <td>(D) Election of directors and continued knowledge development</td> <td>4.93</td> </tr> <tr> <td>(E) Internal control</td> <td>4.92</td> </tr> <tr> <td>(F) Others (issues such as fair treatment of clients, personal information management, AML/CFT, information security management, corporate social responsibility, etc.)</td> <td>4.89</td> </tr> </tbody> </table>	Evaluation Aspect	Average Score	(A) Participation in company operations	4.78	(B) Improvement on the quality of the board's decision making	4.90	(C) Composition and structure of the board of directors	4.91	(D) Election of directors and continued knowledge development	4.93	(E) Internal control	4.92	(F) Others (issues such as fair treatment of clients, personal information management, AML/CFT, information security management, corporate social responsibility, etc.)	4.89
Evaluation Aspect	Average Score														
(A) Participation in company operations	4.78														
(B) Improvement on the quality of the board's decision making	4.90														
(C) Composition and structure of the board of directors	4.91														
(D) Election of directors and continued knowledge development	4.93														
(E) Internal control	4.92														
(F) Others (issues such as fair treatment of clients, personal information management, AML/CFT, information security management, corporate social responsibility, etc.)	4.89														

2021 Internal Evaluation of the Performance of Board of Directors and Functional Committees

B. The average score of functional committee performance evaluation on each aspect is between 4.87~5 in Audit Committee, 4.75~5 in Compensation Committee, and 5 in Corporate Governance and Nomination Committee:

Evaluation Aspect	Average Score of Audit Committee	Average Score of Compensation Committee	Average Score of Corporate Governance and Nomination Committee
(A) Participation in company operations	5	5	5
(B) Understanding of the committee members' duties and responsibilities	4.93	4.75	5
(C) Improvement on the quality of the committee's decision making	4.95	4.95	5
(D) Composition of the committees and election of the committee members	5	5	5
(E) Internal control	4.87	5	5

C. The average score of Board member performance evaluation (self-assessment) on each aspect is between 4.69~ 4.96:

Evaluation Aspect	Average Score
(A) Understanding of company goals and missions	4.95
(B) Understanding of the directors' duties and responsibilities	4.96
(C) Participation in company operations	4.88
(D) Internal relationship management and communications	4.76
(E) Professional qualifications of directors and continued knowledge development	4.69
(F) Internal control	4.86

D. The result of 2021 Internal Performance Evaluation of Board of Directors was approved by the Corporate Governance and Nomination Committee and the Board of Directors on February 23, 2022. The result would be provided to the Board of Directors (including functional committees and board members) as reference for continued improvement and for setting the remuneration for the board. On the whole, the Bank's Board of Directors and functional committees are operating competently by adequately fulfilling their duties of supervising and advising on the Bank's strategic plans, major business, and risk management. Moreover, all the functional committees are operating properly, thereby improving the board functions. In the meantime, the board members' understanding of their responsibilities, participation in the Bank's operations, and offer in proper decision-making effectively improve the Bank's corporate governance.

2021 External Evaluation of the Performance of Board of Directors and Functional Committees

Evaluation Cycle	At least once every 3 years by external evaluation institutions or panel of external experts and scholars
Evaluation Period	June 1, 2020 to May 31, 2021
Evaluation Scope	Board of Directors (including the implementation status of the functional committees authorized by the board)
Evaluation Method	External-evaluation
Evaluation Contents	<p>(1) Summary of Implementation</p> <p>In April 2021, the Bank commissioned Taiwan Corporate Governance Association (hereinafter “the association”) to conduct the board performance evaluation. The evaluation period is from June 1, 2020 to May 31, 2021. The association is a non-profit and professional public interest group that advocates corporate governance, and helps businesses improve corporate governance, competitiveness, and sustainability. Also, it provides such services as offering training courses for directors, conducting corporate governance system assessment and board performance evaluation, and issuing publications on corporate governance. The association’s evaluation panel is composed of 4 association members, experienced in corporate governance assessment, corporate governance evaluation, and board performance evaluation. That is, the evaluation panel is equipped with professional competence in conducting the Bank’s board performance evaluation. In addition, the association clarified the independence of the panel in the statement of the evaluation report.</p> <p>The association conducted the evaluation based on the open-ended questionnaire, other materials provided, public information, and on-site visit. On September 30, 2021, the evaluation panel met in person with the Bank’s Chairman, independent directors, CPA, President, and management team for evaluation. The evaluation includes: the composition of board of directors, direction, delegation, supervision, communication, internal control and risk management, and self-discipline. It also covers other aspects such as board meetings and the support system. The association issued the report of the Bank’s board performance evaluation on October 12, 2021. The Bank submitted the report and improvement plans to the 1st Corporate Governance and Nomination Committee in its 5th meeting and to the 8th Board of Directors in its 12th meeting on December 29, 2021.</p> <p>(2) Summary of General Evaluation</p> <ol style="list-style-type: none"> 1. The Bank actively participated in the corporate governance system assessment and invited an independent and professional institution to conduct the board performance evaluation, demonstrating the board’s proactive attitude in implementing corporate governance and improving the board functions through the independent and objective observations. 2. The Bank’s independent directors are outstanding individuals from different industries and perform their duties faithfully. They actively participate in and contribute to the board affairs, and strengthen the board functions via functional committees, thereby enhancing the quality of the board’s decision-making. All of which build a competent and positive board meeting culture. 3. The Chairman creates an atmosphere of openness among the board with her open leadership. The Chairman’s attention in brainstorming and respect for board members’ opinions allow the board sufficient discussion and increase the quality of the board’s decision-making. The directors, through different meetings, also faithfully supervise the board by contributing their expertise and actively participating in setting the Bank’s future prospects and strategic target. 4. The Bank appoints a head of corporate governance, who is in charge of arranging board meeting agendas, helping directors with director training, providing them with materials within or outside the meetings, and offering them information related to directors both occasionally and on a regular basis. The head of corporate governance also helps directors take hold of important information on the Bank, businesses, international corporate governance trend through compiling quarterly Director Newsletter on news regarding directors, banks, finance, legal announcement, special topics report, and international corporate governance trend. All of which shows that the Board is fully backed up with the support system and shows the accountability of the Head of corporate governance.

2021 External Evaluation of the Performance of Board of Directors and Functional Committees

Evaluation Contents (3) Summary of suggestions and improvement plan

Suggestions (summary)	Improvement Plan
<p>The appraisal and remuneration of the Bank's Chief Auditor are reported to the Compensation Committee, whose members identical to those of the Audit Committee, and approved by the Chairman, who is authorized by the board. The association suggests that the Bank's Chairman take into account the Audit Committee's opinion, in order to further enhance the independence of the internal audit and reinforce the Audit Committee's supervisory responsibility.</p>	<p>In response to the association's suggestion, the improvement initiatives have been already implemented.</p>
<p>The Bank has disclosed its Whistleblowing Policy, reporting hotline, email address, and mailing address on its website. The association suggests that the Bank grant access to the Audit Committee or independent directors to provide stakeholders with direct communication channels, so as to allow the Audit Committee to receive material information.</p>	<p>The Bank's amended Whistleblowing Policy was approved by the Board of Directors on December 29, 2021, and disclosed on its website. After taking into account of the association's suggestion and the Bank's practical operations, the Bank provided stakeholders with a direct communication channel and enabled the Audit Committee to receive immediate material information.</p>
<p>The association suggests that the Bank set up Succession Planning for senior management in line with the Bank's future prospects, strategies, and global ESG trend. Also, it suggests that the Bank report the implementation status to the Board on a regular basis, thereby attaining sustainable development.</p>	<p>The Bank has already disclosed the Succession Planning of Senior Management on its website. In response to the association's suggestion, the Bank will review the Succession Planning regularly and report to the board from 2022.</p>
<p>To help newly-elected directors understand the duties and familiarize with the Bank's business earlier, the Bank arranges meetings for managerial officers to introduce their business and relevant information. The association suggests that the Bank compile Director Handbook and provide it to directors for reference. It is advised that the acceptance receipt of the Handbook is signed and filed, and that the Handbook covers such aspects as the Bank's business, industry dynamics, legal compliance, the duties and obligations of directors, and directors' training. Also, it suggests that the Bank establish a director seminar system for newly-elected directors in order to help the Bank facilitate its implementation in the future.</p>	<p>In response to the association's suggestions, the Bank has developed a series of implementation plans and they will be gradually carried out from 2022.</p>
<p>The Bank discloses its implementation results of CSR initiatives and communications with stakeholders in its CSR report and on its website. The association suggests that the Bank report the Bank's annual CSR Plan to the Board of Directors to help directors understand the Bank's CSR initiatives.</p>	

4. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

A. Improvement of information transparency:

- For better transparency on the Board of Directors: The Bank's (1) important resolutions of the Board are disclosed in the annual reports and on the Bank's website; (2) Board meeting attendance is disclosed in the annual report and on the Market Observation Post System; (3) status of Directors' continuing education is disclosed on the Market Observation Post System.

B. Functional Committees:

- To ensure effective corporate governance, the Bank introduced the Audit Committee to its 5th Board of Directors in accordance with the Securities and Exchange Act in 2011. Three independent directors were called upon to make up the Audit Committee under the Board of Directors, and the Bank's Audit Committee Organizational Rules were enacted accordingly. Also put in place were the Bank's Regulations Governing the Scope of Duties of Independent Directors. On February 26, 2020, the Board of Directors approved amendments to Audit Committee Organizational Rules; on August 21, 2020, the Board of Directors approved amendments to the Regulations Governing the Scope of Duties of Independent Directors.
- To build a comprehensive compensation management mechanism, the Bank established the Compensation Committee under the Board of Directors and adopted the Compensation Committee Organizational Rules in 2009. It was followed by the Board's amendments to the Rules and changing of its Chinese name in 2011. The committee is composed of the entire number of independent directors. In accordance with statutory revisions, the Board of Directors approved amendments to the Compensation Committee Organizational Rules on March 22, 2021.
- To strengthen the director (including independent director) election system and build a diverse and professional Board, the Bank established Corporate Governance and Nomination Committee under the Board of Directors on November 4, 2020, and adopted Corporate Governance and Nomination Committee Organizational Rules. The committee is composed of 3 directors with over half independent directors and its primary duties are to: designate the standard of the Board members and find, review and nominate candidates; set up and review programs for the director continuing education initiative and succession planning; set up the Bank's Corporate Governance Principles and the Bank's Regulations Governing the Performance Evaluation of the Board of Directors; oversee and supervise corporate governance evaluation systems and performance evaluation of the Board, and then report to the Board for review and further improvement.
- To fulfill corporate social responsibility, the Bank established the Corporate Social Responsibility Committee under the Board of Directors. On the front of CSR, the Bank commits itself to the following 6 key areas: corporate governance, customer relations, employee care, environmental protection, social engagement, and green finance. The committee meets regularly to stay up to date with CSR implementation status and effectiveness and files an annual report to the Board of Directors so that the latter can fulfill its supervisory responsibility and examine the Bank's endeavors on this front. Separately, the Bank also set up the Corporate Culture Committee under the Board of Directors to undertake employee care measures and devise corporate culture-related projects. Implementation results, along with the CSR report, are presented

(2) Audit Committee

To ensure effective corporate governance, the Board of Directors adopted the resolution on establishing the Audit Committee in lieu of supervisors and enacted the Audit Committee Organizational Rules on February 24, 2011. Established on June 13 of the same year upon approval of a regular shareholders' meeting, the Audit Committee is composed of the entire number of independent directors.

1. Fair presentation of the Bank's financial statements.
2. Selection (dismissal) of CPAs and their independence and performance.
3. Effective implementation of the Bank's internal control system.
4. The Bank's compliance with applicable laws and regulations.
5. Control of the Bank's existing or potential risks.

The Audit Committee is supposed to perform the following duties:

1. Enact or amend the internal control system and evaluate its effectiveness.
2. Enact or amend the SOP of major financial activities such as acquisition or disposal of assets and derivatives transactions.
3. Review matters in which directors have personal interests.
4. Review major asset or derivatives transactions.
5. Review major instances of lending funds or providing endorsements or guarantees.
6. Review the offering, issuance, or private placement of equity securities.
7. Review the appointment, dismissal, or compensation of CPAs.
8. Review the appointment and dismissal of financial, accounting, or internal audit managerial officers.
9. Review annual financial statements signed or sealed by Chairman, managerial officers, and Head of Accounting, and semi-annual financial statements.
10. Review other major items required by the Bank or the competent authority.

Audit Committee

A total of 7 (A) meetings of the 4th Audit Committee meetings were held in 2021. The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Lin, Hank H.K.	7	0	100	Convener
Independent Managing Director	Hu, Fu-Hsiung	7	0	100	
Independent Director	Liu, Richard R.C.	7	0	100	

Note: For more information on the professional qualifications and experiences of the Audit Committee members, please refer to "Directors, Supervisors and Management Team" section of this annual report.

- Examine financial statements

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2021 audited by CPAs Kuan-Hao Lee and Wang-Sheng Lin of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports, the Audit Committee has found them to meet the requirements of applicable laws and regulations.

- Evaluate the effectiveness of the Bank's internal control system

In accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking industries and the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies enacted by the Financial Supervisory Commission, the Bank has established its internal control system, for which three lines of defense are set up to ensure its ongoing and effective operation and the Bank's sound management.

The Audit Committee meets on a regular basis to examine the internal control system adopted or revised by the Bank and evaluate its effectiveness as well as review matters in which directors have personal interests, selection (dismissal) of CPAs, appointment or dismissal of managerial officers charged with accounting or internal audits, and the Bank's financial statements. By also drawing on the Auditing Division's inspection reports and routine updates, the Audit Committee stays up to date with the Bank's implementation of auditing affairs and its control mechanism already adopted in order to conduct oversight and correct deficiencies thereof. To ensure the effective operation of the internal control system, the committee also meets with internal audit personnel twice every year to jointly examine internal control deficiencies.

- Engage CPAs

Due to internal adjustments by Deloitte & Touche, the CPAs were changed from Yin-Chou Chen and Wang-Sheng Lin to Kuan-Hao Lee and Wang-Sheng Lin since 2021.

In accordance with the Corporate Governance Best-Practice Principles for Banking Industries, the Bank is supposed to evaluate the independence and suitability of CPAs. Before hiring the CPAs of Deloitte Taiwan to audit and certify the Bank's financial and tax statements for 2021 and thereafter, therefore, it was of necessity to evaluate the independence and suitability of the appointed CPAs. The Bank evaluated the independence of its CPAs and presented the result to the Audit Committee and the Board of Directors on December 29, 2021 for review, and both gave their approval.

- Risk Supervisions

The Audit Committee reviews the risk quota, risk appetite, and risk management mechanisms that call for board approval, as well as oversees the implementation of the Bank's risk management, thereby ensuring the effectiveness and completeness of its risk management procedures.

A summary of the major proposals reviewed by the Audit Committee in 2021 and the results thereof is as follows:

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote	
2021.2.24 The 8th Board of Directors in its 6th meeting	Amendment to the Bank's Tax Governance Policy	✓	-	
	Amendment to the Bank's Personal Information Management Policy	✓	-	
	Proposal to write off bad loans to "XX Chen" and 32 other borrowers	✓	-	
	Adjustment in the Bank's Regulations Governing the Scope of Powers in Reviewing Authorized Limits of Loans and Financial Transactions	✓	-	
	Approval of application for a loan by "XX Company"	✓	-	
	Approval of the transition of IBOR	✓	-	
	Proposal for making a donation to the O-Bank Education Foundation	✓	-	
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	✓	-	
	Amendment to the Bank's Working Regulations	✓	-	
	Outcome of the Audit Committee's deliberations: (2021.2.24) Unanimous approval by all members			
The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present				
2021.3.22 The 8th Board of Directors in its 7th meeting	The Bank's 2020 business report, and consolidated and parent financial statements	✓	-	
	Proposal for 2020 earnings distribution	✓	-	
	Proposal for the appointment and compensation of the Bank's CPAs in 2021	✓	-	
	The Bank's 2020 Report on Across-the-Board Evaluation of Money Laundering and Terrorism Financing Risks (headquarter version)	✓	-	
	The Bank's 2020 report on Evaluation of Money Laundering and Terrorism Financing Risks on the Bank's Insurance Agent Business	✓	-	
	The Bank's 2021 Plan on Control of Money Laundering and Terrorism Financing Risks (headquarter version)	✓	-	
	The Bank's 2020 Statement on the Design and Implementation of its AML/CFT Internal Control System as well as the AML/CFT Internal Control Statement	✓	-	
	Self-assessment of the Bank's implementation of "Fair Treatment of Customers" in 2020	✓	-	
	Amendment to the Bank's Risk Management Policy	✓	-	
	Amendment to the Bank's Regulations for Managing Market Risk	✓	-	
	The Bank's 2020 Internal Control System Statement and the Internal Control System Statement for the Concurrent Conducting of Insurance Agent Business	✓	-	
	Amendment to the Bank's Loan Pricing Regulations	✓	-	
	Amendment to the Bank's Regulations for Qualification Requirements and Screening Procedures Concerning Wealth Management Professional Investors	✓	-	
	The Bank's Trust of Superficies Business Plan	✓	-	
	Proposal of the establishment of Green Finance Subcommittee under the Corporate Social Responsibility Committee	✓	-	
	Amendment to the Bank's Procedural Rules Governing Shareholders' Meetings	✓	-	
	Amendment to the Bank's Election Procedures for Directors	✓	-	
	Proposal for releasing non-competition restrictions on directors	✓	-	
	Amendment to the Bank's Organizational Rules	✓	-	
	Outcome of the Audit Committee's deliberations: (2021.3.22) Unanimous approval by all members			
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present			

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote	
2021.5.5 The 8th Board of Directors in its 8th meeting	The Bank's 2021 consolidated financial statements for the 1 st quarter	✓	-	
	Amendment to the Bank's Regulations Governing Concentration of Mortgages	✓	-	
	Amendment to the Bank's Regulations for Appraising Collateral	✓	-	
	Proposal to write off bad loans to "XX Wu" and 31 other borrowers	✓	-	
	Proposal to seek damages from XX Industries Inc. for using fake transactions to apply for loans.	✓	-	
	The Bank's 2021 audit plan	✓	-	
	Amendment to the Bank's Regulations Governing Suitability of Financial Derivatives	✓	-	
	Adjustment of the Bank's mechanism for "managing concentration of structured products" and of the way how routine inspection is to be conducted	✓	-	
	Amendment to the Bank's Regulations Governing Internal Control System for the Concurrent Conducting of Securities Business	✓	-	
	Amendment to the Bank's Business Plan to Deal in Bond Trading	✓	-	
	Adoption of the Bank's Regulations Governing Domestic Business Units to Assist Overseas Branches in Data Delivery and Identity Verification	✓	-	
	Proposal for the Bank's subsidiary IBT International Leasing Corp. to purchase the shares of IBT International Leasing Corp.	✓	-	
	Appointment of candidates for chairmen and presidents of the Bank's invested companies and proposal for release of non-competition restrictions on managerial officers	✓	-	
	Amendment to the Bank's Regulations for Managing Employee Loans	✓	-	
	Outcome of the Audit Committee's deliberations: (2021.5.5) Unanimous approval by all members			
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present			
2021.6.29 The 8th Board of Directors in its 9th meeting	Amendment to the Bank's Regulations Governing the Performance Evaluation of the Board of Directors	✓	-	
	Amendment to the Bank's Risk Management Policy	✓	-	
	Amendment to the Bank's Regulations Governing Lending to Interested Parties	✓	-	
	Amendment to the Bank's country risk exposure limit for 2021	✓	-	
	Proposal to write off bad loans to "XX International Corp.," "XX Tseng" and 23 other borrowers	✓	-	
	Amendment to the Bank's Regulations for Liquidity Management at the Hong Kong Branch	✓	-	
	Amendments to the Bank's Recovery Plan for the Hong Kong Branch	✓	-	
	Proposal to grant unsecured lending for the Hong Kong Branch	✓	-	
	Application for a change in the terms of an existing loan by "Cheng XX Development Co., Ltd." and "Guo X Construction Co., Ltd."	✓	-	
	Proposal to sell the NPL incurred by the Bank's corporate borrower "LXX Kingdom"	✓	-	
	Amendments to the Bank's Regulations Governing the Management of Invested Companies	✓	-	
	The Bank's handling of the Audit Committee's opinion: (2021.6.29) Unanimous approval by all directors present			
The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present				

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote	
2021.8.20 The 8th Board of Directors in its 10th meeting	Amendment to the Bank's Regulations Governing Internal Control System for the Concurrent Conducting of Securities Business and the Implementation Rules Governing Internal Audits for the Concurrent Conducting of Securities Business	✓	-	
	The Bank's consolidated and parent financial statements for first half of 2021	✓	-	
	Amendment to the Bank's Regulations for Appraising Overseas Real Estate Collateral	✓	-	
	Amendment to the Bank's Regulations for Appraising Collateral	✓	-	
	Proposal to write off bad loans to "XX Holdings Limited," "XX Yen" and 16 other borrowers	✓	-	
	Proposal to sell the NPL incurred by the Bank's corporate borrower "NXX EXX Holdings Limited"	✓	-	
	Amendment to the Bank's Regulations for the Control of Aggregate Limit of Loans to Any Single Juridical Person/Conglomerate	✓	-	
	Amendment to the Bank's Regulations for Delegating Authority for Granting Loans and Conducting Financial Transactions	✓	-	
	Amendment to the Bank's Regulations Governing the Scope of Powers in Reviewing Limits for AR Buyers	✓	-	
	Amendment to the Bank's Product Suitability Policy on Concurrent Conducting of Securities Business	✓	-	
	Amendment to the Bank's Security Maintenance Regulations	✓	-	
	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	✓	-	
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	✓	-	
	Proposal for extending the rental of the Bank's headquarters building to affiliate China Bills Finance Corp.	✓	-	
	Amendment to the Bank's Organizational Rules	✓	-	
	Outcome of the Audit Committee's deliberations: (2021.8.20) Unanimous approval by all members			
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present			
	2021.11.3 The 8th Board of Directors in its 11th meeting	The Bank's consolidated financial statements for the third quarter of 2021	✓	-
		Amendment to the Bank's Regulations for Trading Book and Banking Book Management	✓	-
Adoption to the Bank's Sustainable Credit and Investment Policy		✓	-	
Proposal to write off bad loans to "XX Hsu" and 36 other borrowers		✓	-	
Proposal to sell the NPL incurred by and to write off bad loans to corporate borrower "CXX on DXX Ltd"		✓	-	
Amendments to the Bank's Regulations for Preserving the Security of Personal information Files		✓	-	
Amendment to the Bank's Product Suitability Policy on Concurrent Conducting of Securities Business		✓	-	
Amendment to the Bank's Stewardship Principles and proposal for Compliance Statement on Stewardship Principles for Institutional Investors in 2021		✓	-	
Proposal for making a donation to the National Taiwan University Economic Research Foundation		✓	-	
Presentation of the Bank's letter of commitment in its capacity as a shareholder of invested company.		✓	-	
Amendment to the Bank's Regulations for Engaging Advisors		✓	-	
Proposal for job alterations for some of the Bank's managerial officers		✓	-	
Outcome of the Audit Committee's deliberations: (2021.11.3) Unanimous approval by all members				
The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present				

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2021.12.29 The 8th Board of Directors in its 12th meeting	Beginning with the financial statements of 2021, the Bank engaged Kuan-Hao Lee and Wang-Shen Lin as CPAs. After evaluation of their independence and suitability, the two were entrusted to audit the Bank's financial and tax statements from 2021 onwards.	✓	-
	Amendment to the Bank's Corporate Governance Principles	✓	-
	Amendment to the Bank's Whistleblowing Policy	✓	-
	Result of the Bank's evaluation of subsidiaries done by audits in 2021	✓	-
	The Bank's 2022 audit plan	✓	-
	The Bank's 2022 internal audit plan for the concurrent conducting of insurance agent business	✓	-
	The Bank's 2020 report on Evaluation of Money Laundering and Terrorism Financing Risks (bank-wide version)	✓	-
	The O-Bank Group's AML/CFT Plan for 2021	✓	-
	Amendment to the Bank's AML/CFT Guidelines for Insurance Agent Operations	✓	-
	The Bank's 2021 report on self-evaluation of personal information protection	✓	-
	Adoption of the 2022 guidelines for the management of market risk	✓	-
	Adoption of the Bank's 2022 guidelines for the management of liquidity and interest rate sensitivity risks	✓	-
	Amendment to the Bank's Manual for Hong Kong Branch's Market Risk, Interest Rate Risk in the Banking Book, and Assets and Liabilities Management	✓	-
	Amendment to the Bank's Assets and Liabilities Management Committee Organizational Rules	✓	-
	Amendment to the Bank's Regulations Governing the Control of Sectoral Concentration Risk and proposal for the Bank's industry risk exposure limits for 2022	✓	-
	Amendment to the Bank's Regulations for the Control of Lending Limits on Individual Financial Institutions	✓	-
	Proposal to write off bad loans to "NXX EXX Holdings Limited," "FXX International Co., Ltd.," and "XX Lu," and 32 other borrowers	✓	-
	Amendment to the Bank's Regulations Governing the Scope of Powers in Reviewing Authorized Limits of Loans and Financial Transactions	✓	-
	Review report on the Bank's derivatives business strategy, operating guidelines, and performance in 2021	✓	-
	Amendment to the Bank's Corporate Social Responsibility Best Practice Principles and renaming to Sustainable Development Best Practice Principles	✓	-
	Amendment to the Bank's Regulations for Handling Financial Dealings With Conglomerate Affiliates and Interested Parties	✓	-
	Amendment to the Bank's Organizational Rules	✓	-
	Outcome of the Audit Committee's deliberations: (2021.12.29) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Other mentionable items:

1. Any independent director raising objections, retaining opinions, or making major proposals: None.
2. In the event that any matter listed in Article 14-5 of the Securities and Exchange Act has failed to secure the approval of the Audit Committee but has won the consent of two-thirds or more of all directors, the date of the given board meeting, term of the board, contents of the matter, outcome of the Audit Committee's deliberations, and the Company's handling of the Audit Committee's opinion shall be recorded in the minutes of the aforesaid board meeting: None (please refer to the table above).
3. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.
4. Communications between the independent directors, the Company's chief internal auditor and CPAs
 - (1) Communication between the chief internal auditor and independent directors:
 - A. In addition to submitting updates of its work to independent directors, the Auditing Division communicates with independent directors at audit seminars held twice a year; the minutes of such seminars are presented to the Board of Directors.
 - B. Each year the Bank issues a statement on internal control, which will be submitted to the Board of Directors for approval after being examined by the Audit Committee.
 - C. The reports compiled by the Auditing Division after its audits of the Bank's departments and subsidiaries are submitted to independent directors.
 - D. With respect to the opinions of and shortfalls detected by financial examination agencies, CPAs, internal audit units, and various departments after self-audits, as well as the items specified by the Statement on Internal Control as in need of improvement, the Auditing Division is responsible for conducting follow-up examination and submitting reports on the status of improvement to the Audit Committee and Board of Directors.
 - E. Before a fiscal year runs its course, the Auditing Division is supposed to present the audit plan for the following year to the Audit Committee for review and to the Board of Directors for approval.
 - F. The Bank's chief auditor has maintained smooth communication with independent directors who, in turn, have been able to keep track of the Bank's implementation of audit operations and the result thereof.

The summary of the communication through individual meetings in 2021 is as follows:

Date	Means	Counterparty	Subject	Outcome
2021.2.24	The 4th Audit Committee in its 6th meeting	Independent directors and Chief Auditor	Report on Improvements Based on Examination Opinions (Table B) with respect to the 2020 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business (follow-up)	Approved for reference
			The Bank's conducting audit operations in 2020	Approved for reference
2021.3.22	The 4th Audit Committee in its 7th meeting	Independent directors and Chief Auditor	The Bank's Internal Control System Statement for 2020 (including the Bank's concurrent conducting of insurance agent business)	No objection; submitted to the Board of Directors for examination
			CPA report on the Bank's implementation of negotiations with regard to its internal control system in 2020 (including the Bank's concurrent conducting of insurance agent business)	Approved for reference
2021.5.5	The 4th Audit Committee in its 8th meeting	Independent directors and Chief Auditor's deputy	The Bank's conducting audit operations in the first quarter of 2021	Approved for reference
			Amendment to the Bank's 2021 audit plan	No objection; submitted to the Board of Directors for examination
2021.8.20	The 4th Audit Committee in its 10th meeting	Independent directors and Chief Auditor	Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	Approved for reference
			The Bank's conducting of audit operations in the first half of 2021	Approved for reference
			Special audit report on the Bank's outsourcing of its SFDC cloud services in 2021	Approved for reference
2021.11.3	The 4th Audit Committee in its 11th meeting	Independent directors and Chief Auditor	Report on Improvements Based on Examination Opinions (Table B) with respect to the 2020 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business (follow-up)	Approved for reference
			The Bank's conducting of audit operations in the third quarter of 2021	Approved for reference

Date	Means	Counterparty	Subject	Outcome
2021.12.29	The 4th Audit Committee in its 12th meeting	Independent directors and Chief Auditor	Results of the Bank's evaluation of subsidiaries done by audits in 2021	No objection; submitted to the Board of Directors for examination
			The Bank's audit plan for 2022	No objection; submitted to the Board of Directors for examination
			The Bank's 2022 Internal Audit Plan for Concurrent Conducting of Insurance Agent Business	No objection; submitted to the Board of Directors for examination
			Amendment to the Bank's Whistleblowing Policy	No objection; submitted to the Board of Directors for examination
			Results of the Bank's evaluation of internal units done by audits in 2021	Approved for reference
			Report on the Bank's routine audit of outsourcing its SFDC cloud service platform in 2021	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2020 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business (follow-up)	Approved for reference

A summary of the communication between directors (including independent directors) and the chief internal auditor in 2021 is as follows:

Date	Means	Counterparty	Subject	Outcome
2021.2.24	A seminar on audit affairs	Director (including independent director), Chief Auditor and Auditing Division personnel	Review of the Bank's internal control system deficiencies for the second half of 2020	1. Implemented as proposed 2. Approved by the 8th Board of Directors in its 7th meeting on March 22, 2021
2021.8.20	A seminar on audit affairs	Director (including independent director), Chief Auditor and Auditing Division personnel	Review of the Bank's internal control system deficiencies and supervision of auditing operations at overseas branches in the first half of 2021	1. Implemented as proposed 2. Approved by the 8th Board of Directors in its 11th meeting on November 3, 2021

(2) Communication between CPAs and independent directors:

The Bank's CPAs keep up effective communication and discussion with independent directors during either the Audit Committee's quarterly meetings or individual meetings, separate conferences, thereby keeping the latter informed of the scope of financial statements being reviewed and their plan for and scope of any forthcoming audit, as well as any update to applicable laws and regulations.

A summary of the communication between CPAs and independent directors as well as the reports presented therein in 2021 is as follows:

Date	Means	Counterparty	Subject	Outcome
2021.3.22	The 4th Audit Committee in its 7th meeting	Independent directors, CPAs and Finance & Accounting Department managers	Auditing of 2020 consolidated and parent financial statements and key audit items	No objection; submitted to the Board of Directors for examination
2021.5.5	The 4th Audit Committee in its 8th meeting	Independent directors, CPAs and Finance & Accounting Department managers	Reviewing of consolidated financial statements for the first quarter of 2021	No objection; submitted to the Board of Directors for examination
2021.8.20	Individual Meeting	Independent directors and CPAs	Auditing of consolidated and parent financial statements for the first half of 2021 and key audit items, and 2021 audit plan.	Unanimous approval
	The 4th Audit Committee in its 10th meeting	Independent directors, CPAs and Finance & Accounting Department managers	Auditing of consolidated and parent financial statements for the first half of 2021 and key audit items	No objection; submitted to the Board of Directors for examination
2021.11.3	Individual Meeting	Independent directors and CPAs	Reviewing of consolidated financial statements for the third quarter of 2021	Unanimous approval
	The 4th Audit Committee in its 11th meeting	Independent directors, CPAs, Operation Management Division manager and Finance & Accounting Department managers	Review report of consolidated financial statements for the third quarter of 2021	No objection; submitted to the Board of Directors for examination

Note: Due to the Bank's organizational restructuring, the Financial Management Department is renamed to Finance & Accounting Department, and the Chief Operating Officer is adjusted to the Head of Operation Management Division.

(3) Disclosures required under the Banking Industry Corporate Governance Best-Practice Principles

Please refer to the Bank's website (<https://www.o-bank.com>) and the Market Observation Post System (<https://mops.twse.com.tw>).

(4) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best Practice Principles for Banks

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
<p>1. Shareholding Structure and Shareholders' Equity</p> <p>(1) Does the Bank enact a set of internal operational procedures for handling shareholder proposals, doubts, disputes, and litigations, as well as act in accordance with the said procedures?</p> <p>(2) Does the Bank have access to the major shareholders who have actual control over the Bank as well as that of their ultimate control persons?</p> <p>(3) Does the Bank establish and implement risk management and firewall mechanisms for its dealings with affiliated businesses?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) On the Bank's website, the section for investors contains "Contact Us" and the section for corporate governance offers direct access to services meant specifically for stakeholder-shareholders. Shareholders may, by phone or email, present proposals, doubts, disputes, and litigations, and the Bank's designated personnel will respond to them as warranted.</p> <p>(2) As required by regulations, the Bank files monthly reports on stockholding changes of major shareholders. Verification of the roster of shareholders is conducted to coincide with book closure, thereby taking hold of the stockholding of the major shareholders who have actual control over the Bank. Also, the Bank discloses related legal announcement and such forms on its website to make public to general shareholders, thereby taking hold of the list of the major shareholders' ultimate control persons.</p> <p>(3) The Bank and its affiliated businesses have in place clearly defined division of management duties and powers. The O-Bank Co., Ltd. Regulations on Investee Management is enacted precisely for this purpose.</p>	None
<p>2. Composition and Duties of the Board of Directors</p> <p>(1) Does the Board of Directors adopt a policy of diversity and specific management goals thereof?</p>	<p>✓</p>		<p>(1) In accordance with the Articles of Incorporation, the Bank adopts the candidate nomination system for elections of directors. The selection of board members is not dictated by gender, age, race, or nationality, and the Bank shall bring into professional and experienced elites from various fields to conform to the Bank's diversified development. The Board members shall be equipped with the knowledge, skills, and aptitude needed to perform their duties, so as to achieve excellence in corporate governance. Moreover, the Board shall be equipped with the capacity for business judgment, accounting and financial analysis, business administration, risk management, crisis management, industry knowledge, a sound perspective of the global market, leadership, and decision making.</p> <p>Reflecting its emphasis on the board diversity, the Bank's 8th Board of Directors comprises elites from the financial, industrial and academic communities. With 10 of them holding master's degrees, they span such disciplines as economics, commerce, business administration, accounting, insurance, public administration, and languages. Directors representing the Board's capacity for business judgment, business administration, leadership, and decision making are Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, and Elton F.Y. Lee; financial accounting, Hank H.K. Lin, Mark J.C. Lee, and Gordon W.C. Lin; industry knowledge, Edward Chien-Chiang Huang, George C.J. Cheng, and Bill K.C. Lin; risk management, Roy J.Y. Yeh, Fu-Hsiung Hu, and Nina Y.C. Lo; international perspectives, Tina Y. Lo, Kenneth C.M. Lo, Elton F.Y. Lee, and Richard R.C. Liu. As such, all members of the Board of Directors are not only equipped with the knowledge, skills, and aptitude needed to perform their duties but also fully competent in the areas of banking, finance, commerce, law, and industry respectively.</p> <p>Of the Bank's 14 incumbent directors, three are independent directors, (or 21.4%), recorded not more than 9 years of service. In terms of age distribution, four directors are aged under 60, five between 61-70, and five over 71, attesting to a thorough mix of experience and innovation. Furthermore, the Bank pays attention to gender equality in the composition of its Board of Directors, with its aim at 25% of female directors or more. In the Bank's 8th Board of Directors, there are three female directors, or 21%. Priority will be given to considering female candidates in future board elections in order to attain the aforesaid aim. Separately, there is one director (7%) who is the employee (including employees of the Bank's affiliates) in a concurrent capacity.</p>	None

Item Evaluated	Status		Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	
(2) Besides setting up the Compensation Committee and Audit Committee, as required by law, does the Bank voluntarily establish other functional committees?	✓		<p>At its 5th meeting on December 23, 2020, the Bank's 8th Board of Directors enacted the Bank's "Diversity Policy, Independence Standard, Continuing Education Initiative Program, and Succession Planning for the Board of Directors." The Bank makes it a point to adopt the policy of diversity with regard to composition of the Board of Directors, enhance the independence of the Board, and strengthen the Board functions, so as to bolster corporate governance and attain sustainable development. The objective is to ensure the diversity and independence of the Board members and strengthen the Board functions, thereby bolstering corporate governance and attaining sustainable development.</p> <p>(2) In addition to setting up the Compensation Committee and Audit Committee, as required by law, the Bank has established the Corporate Governance and Nomination Committee, Corporate Social Responsibility Committee, and Corporate Culture Committee. These functional committees have been formed to help the Board of Directors better conduct governance and supervision.</p>
(3) Does the TSEC/TPEX listed Bank enact regulations and methods for evaluating Board of Directors performance, conduct such evaluation on an annual basis, present evaluation results to the Board of Directors, and use these as reference for considering the remuneration and reelection nomination of each director? (Note1)	✓		<p>(3) To further improve corporate governance, bolster the Board of Directors, and establish goals for strengthening its operations, the 7th Board of Directors enacts the Bank's Regulations Governing the Performance Evaluation of the Board of Directors in its 18th meeting on June 26, 2019, and amended relevant articles on June 29, 2021.</p> <p>The Board of Directors and functional committees should conduct an internal performance evaluation at least once a year. Also, the evaluation should be conducted at least once every 3 years by external evaluation institutions or panel of external experts and scholars.</p> <p>The Bank has completed its 2021 internal and external Performance Evaluation of the Board of Directors. Each result was reported to the Corporate Governance and Nomination Committee and the 8th Board of Directors respectively on December 29, 2021 and February 23, 2022. All in all, the Board of Directors and functional committees have operated smoothly. Fully aware of their duties, directors actively engage in corporate operations and deliver fitting decisions, thereby helping enhance governance quality. The result of the aforesaid evaluation is not only intended for the reference of the Bank's directors, Board of Directors and functional committees in striving for improvement but also taken into account alongside the Bank's business performance, director involvement in corporate operations, and director contributions and responsibilities as the basis for setting director remuneration. Meanwhile, the Bank is ready to undertake regular review, whenever this is warranted by the state of business and applicable laws and regulations, to ensure that the Bank's business guidelines remain compatible with its commitment to corporate governance.</p> <p>For the result of the Bank's 2021 Performance Evaluation of the Board of Directors, please refer to "Corporate Governance Report-Board of Directors- other mentionable items-Evaluation of Board of Directors" of this annual report. There are no deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>
(4) Does the Bank evaluate the independence of its CPAs on a regular basis?	✓		<p>(4) The Bank evaluates the independence of its CPAs on an annual basis and presents the result to the Audit Committee and the Board of Directors for review and approval. Yin-Chou Chen and Wang-Sheng Lin of Deloitte Taiwan have been the Bank's CPAs since the first quarter of 2019.</p> <p>Due to internal adjustments by Deloitte & Touche, the CPAs were changed from Yin-Chou Chen and Wang-Sheng Lin to Kuan-Hao Lee and Wang-Sheng Lin since 2021.</p> <p>The Bank evaluated the new appointments and presented the result to the Audit Committee and the Board of Directors on December 29, 2021 for review, and both gave their approval. CPAs Kuan-Hao Lee and Wang-Sheng Lin of Deloitte Taiwan were found to meet the Bank's criteria of independence (Note 2) and thus approved as the Bank's CPAs. The Bank also secured the required statements from both CPAs.</p>

Item Evaluated	Status		Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	
3. Does the Bank appoint a reasonable number of eligible corporate governance personnel and place a managerial officer in charge of corporate governance affairs (including but not limited to preparation of materials for directors and supervisors to perform their duties, assistance to directors and supervisors for legal compliance, undertaking of matters related to board meetings and shareholders' meetings, and compilation of board and shareholders' meeting minutes)?	✓		<p>The corporate governance subcommittee under the Corporate Social Responsibility Committee is served by Corporate Secretariat and is charged with the responsibility of implementing the Bank's corporate governance operations, including enacting the Bank's guiding principles for business development and handling corporate governance affairs related to ethical management and risk management. In particular, these include legal compliance, transparency of information disclosure, information protection, and protection of shareholder rights and interests.</p> <p>On December 27, 2017, the Board of Directors enacted the O-Bank Co., Ltd. Corporate Governance Principles to further bolster the Bank's corporate governance system. The said principles spell out endeavors to ensure legal compliance and upgrade internal management, protect shareholder rights and interests, strengthen the functions of the Board of Directors, maximize the functions of the Audit Committee, honor the rights and interests of interested parties, and increase the transparency of information disclosure.</p> <p>Separately, the Board of Directors approved the appointment of Vice President Chang, Wesley S.C. as the Bank's head of corporate governance on February 27, 2019; he had previously accumulated a managerial experience with respect to legal, stock, or meeting affairs at a public company for more than three years. The Bank's head of corporate governance is charged with providing information needed for directors to perform their duties; helping directors comply with applicable laws and regulations, assume office, and continue to undergo training; undertaking matters in relation to Board of Directors and shareholders' meetings and produce the minutes thereof; and conducting other duties prescribed in the Articles of Incorporation and relevant contracts.</p> <p>A summary of the duties performed in 2021 is as follows:</p> <ol style="list-style-type: none"> 1. Assist directors and independent directors in performing their duties and providing the information needed as well as make arrangements for their training. : <ol style="list-style-type: none"> (1) Bring members of the Board of Directors up to date with the latest statutory developments in the areas of corporate management and governance on a regular basis. (2) Determine the classification levels of relevant information based on which to provide directors with such and help facilitate communication between directors and heads of various business departments. (3) Assist directors and independent directors in setting annual training programs and scheduling courses based on the Bank's business characteristics and their educational and occupational backgrounds. 2. Help ensure the compliance of procedures and resolutions of Board of Directors and shareholders' meetings : <ol style="list-style-type: none"> (1) Ascertain whether Board of Directors and shareholders' meetings comply with applicable laws and corporate governance principles. (2) Remind directors of applicable laws and regulations they are supposed to comply with over the course of performing duties or before the Board of Directors adopts any resolution; speak up when the Board of Directors adopts any illegal resolution. (3) Assist in relaying information on major resolutions of the Board of Directors to the Bank's spokesperson for disclosing material information, thereby ensuring information symmetry for investors. 3. Draft the agenda of a scheduled Board of Directors meeting and present it to directors by the statutory deadline; convene the said meeting and provide the materials thereof. 4. Register the date of any forthcoming shareholders' meeting, as required by law; produce the meeting notice, agenda handbook, and minutes by a given deadline; notify the responsible unit of any amendment to the Articles of Incorporation or board reelection.

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies																
	Yes	No	Brief Explanation																	
			<p>5. Formulate and implement the Bank's ethical management policy and preventive measures thereof as well as report to the Board of Directors on a regular basis.</p> <p>A summary of the Bank's implementation of ethical management in 2021 is as follows :</p> <p>(1) Implement quantitative indicators for ethical management.</p> <p>(2) Establish a mechanism for assessing the risk of unethical conduct.</p> <p>(3) Stand by the Bank's ethical management policy.</p> <p>(4) Complete ethical management promotion and training.</p> <p>(5) Implement the Bank's reporting system faithfully.</p> <p>(6) Conduct audits of ethical management and evaluation of the effectiveness thereof.</p> <p>A summary of the Bank's training for the head of corporate governance in 2021 is as follows:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Organizer</th> <th>Course</th> <th>Hour</th> </tr> </thead> <tbody> <tr> <td>3/18</td> <td>Corporate Operation Association</td> <td>Analysis of shareholders' meeting disputes and company registration practices</td> <td>3</td> </tr> <tr> <td>3/19</td> <td>Corporate Operation Association</td> <td>Case study on fighting for top management positions</td> <td>3</td> </tr> <tr> <td>9/1</td> <td>Financial Supervisory Commission R.O.C.</td> <td>13th Taipei Corporate Governance Forum</td> <td>6</td> </tr> </tbody> </table>	Date	Organizer	Course	Hour	3/18	Corporate Operation Association	Analysis of shareholders' meeting disputes and company registration practices	3	3/19	Corporate Operation Association	Case study on fighting for top management positions	3	9/1	Financial Supervisory Commission R.O.C.	13th Taipei Corporate Governance Forum	6	
Date	Organizer	Course	Hour																	
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3/19	Corporate Operation Association	Case study on fighting for top management positions	3																	
9/1	Financial Supervisory Commission R.O.C.	13th Taipei Corporate Governance Forum	6																	
4. Has the Bank established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), assigned a stakeholder section on its website, and addressed major corporate social responsibility issues that stakeholders are concerned about in a proper manner?	✓		The Bank's website has a "Stakeholders" section meant specifically for stakeholders with a view to providing customers, shareholders, employees, suppliers, the general public, and government agencies with comprehensive information on CSR issues of concern to stakeholders and on the channels and frequency of communication therewith. Meanwhile, the Bank has assigned specific liaison personnel to ensure smooth communication with all stakeholders.	None																
5. Information Disclosure				None																
(1) Does the Bank install a website for disclosing information on finances, operations, and corporate governance?	✓		(1) The Bank has installed a company website to disclose information with regard to financial operations, corporate governance, and other material matters. The Bank also conducts information publication and disclosure on the Market Observation Post System in accordance with applicable regulations.																	
(2) Does the Bank adopt other means of information disclosure (such as installing an English website, designating personnel to collect and disclose material information, appointing a spokesperson to communicate with the general public, and making public the recordings of investor briefings on its website)?	✓		(2) The Bank's website is presented in both Chinese and English for the reference of domestic and overseas investors. Meanwhile, responsible departments place specific personnel in charge of information gathering and disclosure. The Bank has also appointed a spokesperson and an acting spokesperson who are responsible for announcing financial information and information with regard to corporate operations in a timely fashion. Meanwhile, information with regard to presentations at the Bank's investor briefings is made public and disclosed on both its website and the Market Observation Post System in accordance with applicable regulations.																	
(3) Does the Bank, in accordance with applicable provisions of the Banking Act and the Securities and Exchange Act, publish and report its annual financial statements by the specified deadline after the end of a fiscal year, and publish and report, by the respective specified deadlines, its financial statements for the first, second, and third quarters of the current year as well as its operating results of each month before the respective specified deadline?	✓		(3) The Bank, in accordance with applicable provisions of the Banking Act and the Securities and Exchange Act, publishes and reports its financial statements for the most recent fiscal year and for the first, second, and third quarters of the current year as well as its operating results of each month before the respective specified deadlines.																	

Item Evaluated	Status		Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	
6. Is there other important information that can facilitate better understanding of the Bank's corporate governance practices (including but not limited to employee rights and interests, employee care, investor relations, rights and interests of interested parties, records of training for directors and supervisors, implementation of risk management policy and risk evaluation criteria, implementation of customer relations policy, purchases of professional indemnity insurance for directors and supervisors, and donations to political parties, stakeholders, and charitable groups)?	✓		<p>(1) Employee rights and interests and employee care: The Bank gives priority to employee rights and interests and devotes itself toward employee care. In addition to having employees covered by labor and national health insurance, as dictated by law, the Bank also provides employees with group insurance and periodic health examinations. The Bank appropriates funds, as stipulated by law, for the establishment of an employee welfare committee that offers information regarding cultural and artistic activities and sponsors various group activities to promote employee wellbeing and facilitate their holistic development. The Bank honors its commitment to communicating with employees by hosting employee assemblies on a regular basis, introducing the "WeCare 2.0" campaign, and installing mailboxes specifically for them. To further cement employee identification with the Bank, the Employee Shareholders Association has been formed. Employees are encouraged to save over the long term and prepare for retirement by holding the Bank's shares and sharing in its growth.</p> <p>(2) Investor relations: The Bank's website comes with an investor section that provides investors with real-time information concerning corporate updates, finances, stock affairs, investor activities and services, etc.</p> <p>(3) Rights and interests of interested parties: The rights and interests of the Bank's stakeholders are protected under applicable laws and regulations as well as the Bank's internal rules. The Bank's website offers specific information on how all stakeholders can get in touch.</p> <p>(4) Training for directors: The Bank is proactive to provide directors with core and specialized courses prescribed in the competent authority's director training roadmap. In 2021, a total of 128 CPE (Continuing Professional Education) hours was completed by directors all together and the summary of the training has been made public and disclosed in the corporate governance section of the Market Observation Post System in accordance with relevant regulations (https://mops.twse.com.tw).</p> <p>(5) Implementation of risk management policy and risk evaluation criteria: The Board of Directors has enacted the Bank's risk management policy, capital adequacy and risk management information disclosure policy, credit risk management guidelines, regulations for managing liquidity and interest rate sensitiveness risks, regulations for market risk management, regulations for managing operational risks, lending business risk management mechanism, evaluation mechanism for asset quality and classification, and mechanism for safeguarding information security as the bedrock of the Bank's risk management. The control of various risks (including the control of loan portfolio, market, interest rate, liquidity, and operational risks; the operations and risk exposure of leasing subsidiaries; and risk control at EverTrust Bank) is submitted to the Board of Directors for approval and reference. In addition, the Bank has assigned a section on its website exclusively for risk management under Corporate Governance. The section covers such three fields as risk management mechanism, climate change risk, and Equator Principles. Disclosed here is information with regard to the Bank's risk management policy and procedures, management scope, organizational structure, and implementation status; the Bank's business transformation assessment and risk management measures deriving from the identification of risk factors in the face of climate change; and the Bank's Equator Principles-compliant framework for project finance and its implementation during the past year. The Bank has also assigned a section on its website for capital adequacy and risk management under Statutory Public Disclosure. Information disclosed therein includes the Bank's capital adequacy management, credit risk management system, market risk management system, operational risk management system, IRRBB management system, and liquidity risk management system.</p>

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
			<p>(6) Implementation of customer relations policy: To provide customers with comprehensive financial services, the Bank enacts and implements a customer relations policy that takes account of both business characteristics and customer needs.</p> <p>(7) Purchases of professional indemnity insurance for directors: The Bank began purchasing professional indemnity insurance for directors in June 2009 with a view to offering directors and managerial officers buffers against the risk and liability they assume. Renewal of the said professional indemnity insurance in 2021 was already reported to the Board of Directors and disclosed in the corporate governance section of the Market Observation Post System (https://mops.twse.com.tw).</p> <p>(8) Donations to political parties, stakeholders, and charitable groups: In 2021, the Bank donated NT\$5.65 million to the O-Bank Education Foundation, NT\$300,000 to the Chinese National Association of Industry and Commerce, NT\$128,000 to the National Taiwan University Economic Research Foundation, NT\$30,000 to the Eisenhower Fellows Association in the R.O.C., NT\$75,000 to Taiwan Environmental Information Association, NT\$50,000 to National Cheng Kung University Foundation, NT\$10,000 to Taiwan Prevent Blindness Foundation, and supplies to New Taipei Municipal JiChin Elementary School in Ruifang District, and New Taipei Municipal PingLin Elementary School in Pingling District. Total amount of the 2021 donation is NT\$6,281,500, supplies included.</p>	

7. Please describe the status of improvement already made based on the results of the Corporate Governance Evaluation System released by the Taiwan Stock Exchange Corporate Governance Center in the most recent year, as well as priority matters and measures in areas where improvement has yet to be made:
Long committed to corporate governance and sustainable development, the Bank ranked among top 5% companies listed on the Taiwan Stock Exchange for two consecutive years (2020 and 2021) in its 7th and 8th Corporate Governance Evaluation. Among other ongoing corporate governance endeavors, the Bank commissioned the Taiwan Corporate Governance Association (TCGA) to evaluate and certify its corporate governance system in 2021. As such, an independent, third-party assessment was conducted to evaluate the comprehensiveness, implementation, and feedback mechanism of the aforesaid system. The TCGA subsequently granted the Bank a CG6012 certificate of excellence. Separately, the Bank began investing in sustainability-geared financial products in 2021, a move attesting to its resolve to strive for sustainable development.

Note 1: Explain the reason for any deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Note 2: Criteria for Evaluating the Independence of CPAs

Item Evaluated	Evaluation Result	Compliance with Independence Requirements
1. Do the CPAs have a direct or material indirect financial interest in the Bank?	No	✓
2. Have the CPAs engaged in financing or guarantees with the Bank or any of its directors?	No	✓
3. Do the CPAs have a close business relationship and a potential employment relationship with the Bank?	No	✓
4. Do the CPAs and members of their audit team currently serve as the Bank's directors or managerial officers or hold positions that may exert significant influence over the subject matter of their engagement, or did the same hold true in the most two recent years?	No	✓
5. Do the CPAs provide the Bank with non-audit services that may influence the independence of their audit work?	No	✓
6. Do the CPAs broker equities or other securities issued by the Bank?	No	✓
7. Do the CPAs serve as the Bank's advocate or seek to reconcile the Bank's conflicts with third parties on its behalf?	No	✓
8. Do the CPAs have family relationship with anyone who is a director or managerial officer of the Bank or whose position may exert significant influence over the subject matter of their engagement?	No	✓

(5) Composition, Responsibilities and Operations of the Compensation Committee and other Functional Committees

A. Compensation Committee

Based on a resolution adopted by the Board of Directors, the Compensation Committee was established on April 22, 2009. It was followed by the board's adopting the Compensation Committee Organizational Rules on August 26 of the same year and changing the committee's Chinese name on December 28, 2011. Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting; assessing remunerations for directors and managerial officers on a regular basis; and setting down the criteria for evaluating the performance of service personnel and standards for deciding on their compensation. The committee shall convene at least twice a year and may convene at any time when necessary. In 2021, the committee met on February 1, March 22, May 5, June 29, August 20, November 3, and December 29.

Pursuant to Article 4 of the Bank's Compensation Committee Organizational Rules, the Committee shall exercise the duty of care to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:

- (1) Establish and periodically review the policies, systems, standards, and structures with regard to evaluating the performance of directors and managerial officers and setting their remuneration.
- (2) Assess the remuneration of directors and managerial officers on a regular basis.
- (3) Establish the performance evaluation and remuneration standards for salespeople, that is, Employees whose remuneration or performance evaluation derives from the sale of financial products and services.

a. Compensation Committee Members

Title	Criteria Name	Professional Qualifications and Experiences	Independence (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member
Independent Managing Director (Convener)	Hu, Fu- Hsiung	<p>Mr. Fu-Hsiung Hu is not only the Bank's independent managing director but also Walsin Lihwa Corp.'s independent director.</p> <p>Previously Mr. Hu served as chairman of Taiwan Cooperative Securities Co., Ltd. and Joint Credit Information Center and director of Taiwan Cooperative Bank, Mega International Commercial Bank, and Taiwan Ratings Corp. He also had experience working for such government agencies as the Executive Yuan, Ministry of Economic Affairs, and Council of Agriculture. Given his extensive experience spanning both the financial services industry and the public sector, he fully meets the Financial Supervisory Commission's requirements for natural-person professional directors. In the days ahead, the Bank is ready to further enhance management efficiency by enlisting Mr. Hu's experience and expertise in banking, corporate governance, and risk management.</p>	<p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Hu:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. 	1
Independent Director	Lin, Hank H.K.	<p>Mr. Hank H.K. Lin is the Bank's independent director. He holds the following concurrent positions: chairman, EY Cultural and Educational Foundation; supervisor, Union MechTronic Inc.; director, St. Ann Medical Co. Ltd.; director, Globe Union Industrial Corp.</p> <p>Mr. Lin spent over 20 years at EY Taiwan as CPA, managing partner, and chief CPA at its Taichung branch. With his ample experience in auditing and competences in finance, accounting, and corporate governance, he helped the Bank's Audit Committee facilitate communication between CPAs and internal audit officers as the Bank strives to improve corporate governance by ensuring fair presentation of financial statements, effective implementation of internal control, and sound management of operational risk.</p>	<p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Lin:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. 	0

Title	Criteria	Professional Qualifications and Experiences	Independence (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member
	Name			
Independent Director	Liu, Richard R.C.	<p>Mr. Richard R.C. Liu is the independent director of the Bank as well as the independent director of Taiwan Aulisa Medical Devices Technologies, Inc.</p> <p>An expert in public administration and economics with international perspectives and economic and financial expertise, Mr. Liu previously held key positions at the Ministry of Economic Affairs and Ministry of Finance. Liu was also director of Taishin International Bank, independent director of First Commercial Bank, and managing director of Hua Nan Bank. Given his solid expertise and experience, Mr. Liu fully meets the Financial Supervisory Commission's requirements for natural-person professional directors. In the days ahead, the Bank is ready to continue enlisting his competences and expertise in banking operations to ensure effective implementation of corporate governance and internal control and keep up its growth momentum.</p>	<p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Liu:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. 	0

Note: For more information on the comprehensive professional qualifications and experiences of the committee members, please refer to "Directors, Supervisors and Management Team" section of this annual report.

b. Attendance of Members at Compensation Committee Meetings

1. There are three members in the Compensation Committee.
2. The members of the 5th Compensation Committee shall serve a three-year term from June 19, 2020 through June 18, 2023. A total of 7(A) meetings of the 5th Compensation Committee were held in 2021. The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Hu, Fu-Hsiung	7	0	100	
Committee Member	Lin, Hank H.K.	7	0	100	
Committee Member	Liu, Richard R.C.	7	0	100	

Other mentionable items:

- a. A Summary of the major proposals reviewed by the Compensation Committee in 2021 and the results thereof is as follows :

Date and Meetings of the Compensation Committee	Proposal	Outcome of the deliberations	Company's dealing with the deliberations of the Compensation Committee
2021.2.1 The 5th Compensation Committee in its 7th meeting	Proposal for granting 2020 year-end bonuses to the Bank's chairman and managerial officers	Approved upon the chair's putting it before all committee members present at the meeting	Except for the proposals approved by the Chairman with the authorization by the Board, the rest are submitted to the Board of Directors and approved by all directors present
2021.3.22 The 5th Compensation Committee in its 8th meeting	Approval of proposed policy for reviewing director remunerations on a regular basis		
	Distribution of remunerations to directors and employees for 2020		
	Amendment to the Bank's Compensation Committee Organizational Rules		
	Amendment to the Bank's Employee Stock Ownership Trust Management Regulations		
	Proposal for salary adjustment in 2021		
	Proposal for remuneration of the Bank's newly appointed managerial officers		
	Proposal for salary adjustment for the Bank's chairman and managerial officers in 2021		
	Proposal for remuneration of the Bank's newly appointed managerial officers		
2021.5.5 The 5th Compensation Committee in its 9th meeting	Proposal for remuneration of the Bank's newly appointed managerial officers		
2021.6.29 The 5th Compensation Committee in its 10th meeting	Proposal for remuneration of the Bank's newly appointed managerial officers		
2021.8.20 The 5th Compensation Committee in its 11th meeting	Proposal for remuneration of the Bank's newly appointed managerial officers		
	Proposal for the distribution of 2020 employee remuneration among managerial officers		
2021.11.3 The 5th Compensation Committee in its 12th meeting	Proposal for remuneration of the Bank's newly appointed managerial officers		
2021.12.29 The 5th Compensation Committee in its 13th meeting	Amendment to the Bank's Regulations for Granting Performance Bonuses		
	Proposal for remuneration of the Bank's newly appointed managerial officers		

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

B. Corporate Governance and Nomination Committee

- a. The Qualifications and Responsibilities of the Corporate Governance and Nomination Committee members

The Bank's Corporate Governance and Nomination Committee was established on November 4, 2020 with the approval of the Board of Directors. With such approval, the Committee shall comprise at least 3 directors with over half independent directors and it is the independent director who shall be the convener and chairman of the Committee.

In accordance with Article 5 of the Bank's Corporate Governance and Nomination Committee Organizational Rules, the committee shall exercise the duty of care to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:

- (1) Establish the standards of independence and a diversified background covering the expertise, experience, gender, etc. of members of the board, and find, review, and nominate candidates for directors based on such standards.
- (2) Set up and review programs for the director continuing education initiative and succession planning.
- (3) Establish the Bank's Corporate Governance Principles
- (4) Establish the Bank's Regulations Governing the Performance Evaluation of the Board of Directors
- (5) Oversee and supervise the Bank's participating in Corporate Governance Evaluation System, System Assessment, and Performance Evaluation of the Board, and then report to the Board for review and further improvement.
- (6) Board of Directors pointed out the other matters that need to be handled by the Committee.

In addition, in accordance with Article 6 of the Bank's Corporate Governance and Nomination Committee Organizational Rules, the committee shall convene at least once a year and may convene at any time when necessary.

- b. Professional Qualifications and the attendance of the Corporate Governance and Nomination Committee Members

There are three members in the Corporate Governance and Nomination Committee. The members of the 1st Corporate Governance and Nomination Committee shall serve a three-year term from November 4, 2020 through June 18, 2023. A total of 3(A) meetings of the 1st Corporate Governance and Nomination Committee were held in 2021. The professional qualifications, attendance record, and discussion items of the committee members were as follows:

Title	Name	Professional Qualifications and Experiences	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Hu, Fu-Hsiung	Previously Mr. Hu served as chairman of Taiwan Cooperative Securities Co., Ltd. and Joint Credit Information Center. Given his experience and expertise in banking, corporate governance, and risk management, he fully meets the Committee's professional qualification requirements.	3	0	100	(Note)
Committee Member	Lo, Tina Y.	Previously Ms. Lo was the Bank's first Hong Kong Branch chief executive, managing director, and vice chairman as well as the O-Bank Group's chief strategy officer. With her expertise in business administration, decision-making, international markets, crisis and risk management, banking, corporate governance, sustainable development, and green finance, she fully meets the Committee's professional qualification requirements.	3	0	100	(Note)
Committee Member	Lin, Hank H.K.	Mr. Lin spent over 20 years at EY Taiwan as CPA, managing partner, and chief CPA at its Taichung branch. With his ample experience in auditing and competences in finance, accounting, and corporate governance, he fully meets the Committee's professional qualification requirements.	3	0	100	(Note)

Note: Please refer to "Directors, Supervisors and Management Team" section of this annual report for the comprehensive professional qualifications and experiences of the committee members.

Other mentionable items:

- a. A Summary of the major proposals reviewed by the Corporate Governance and Nomination Committee in 2021 and the results thereof is as follows:

Date and Meetings of the Corporate Governance and Nomination Committee	Proposal	Items suggested or rejected by the Committee members	Outcome of the Deliberations	Company's dealing with the deliberations of the Corporate Governance and Nomination Committee
2021.2.24 The 1st Corporate Governance and Nomination Committee in its 3rd meeting	Proposal for the Bank's 2020 Internal Board Performance Evaluation	None	Approved upon the chair's putting it before all committee members present at the meeting.	Approved upon the chair's putting it before all directors present at the Board meeting.
2021.6.29 The 1st Corporate Governance and Nomination Committee in its 4th meeting	Proposal for the result of the Bank's "7th Corporate Governance Evaluation" conducted by the Taiwan Stock Exchange in 2020. Amendment to the Bank's Regulations Governing the Performance Evaluation of the Board of Directors	None		
2021.12.29 The 1st Corporate Governance and Nomination Committee in its 5th meeting	Proposal for the Bank's 2021 External Board Performance Evaluation Proposal for the Bank's "CG6012 Corporate Governance System Assessment" Amendment to the Bank's Corporate Governance Principles	None	Approved upon the chair's putting it before all committee members present at the meeting.	Approved upon the chair's putting it before all directors present at the Board meeting.
		Suggested item: Mr. Hu, the independent managing director, suggested that the Bank continue to incorporate Taiwan Stock Exchange's Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies into the assessment as the amendment to Bank's Corporate Governance Principles. The Bank has continued its evaluation in accordance with Mr. Hu's suggestion. Rejected item: None.		

- b. If the board of directors declines to adopt or modifies a recommendation of the Corporate Governance and Nomination Committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the committee's opinion: None.
- c. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(6) Corporate Social Responsibility Implementation Status and Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the Bank establish a governance structure and set up an exclusive (concurrent) unit to promote sustainable development, with the Board of Directors authorizing senior executives to take charge and supervise on its operations?	✓		In 2015, the Bank established its Corporate Social Responsibility Committee under the Board of Directors to take charge of promoting the Bank’s sustainable development. Chaired by the board chairman and with the Bank’s president acting as vice chairman and the highest-ranking supervisors of all departments as members, the committee is supposed to present an annual CSR plan to the Board of Directors each year. In 2021, the committee convened thrice. Meanwhile, the Bank also submits a corporate sustainability report to the Board of Directors annually so that the latter, based on implementation results of the aforesaid CSR plan, can better oversee the Bank’s sustainable development endeavors. Meanwhile, the Bank established a Sustainable Development Section under the Corporate Communications Department to promote sustainability throughout the Bank.	None
2. Does the Bank, based on the materiality principle, undertake risk assessment of environmental, social, and corporate governance issues in relation to its business operations and adopt a risk management policy or strategy accordingly?	✓		The Bank’s Corporate Social Responsibility Committee reviews and assesses each material issue on an annual basis, including how various material issues may impact its operations and how much stakeholders are concerned about them. The aforesaid material issues cover such areas as corporate governance, environmental protection, employee care, customer relationship, and social engagement. When it comes to the risk likely to arise from the aforesaid various material issues, the boundary of risk assessment lies mainly in the Bank. While its subcommittees are responsible for devising related policies and management guidelines, the Corporate Social Responsibility Committee convenes quarterly meetings for tracking implementation progress and effectiveness. Please refer to Item 7 of this table for a detailed account of the importance of each material issue to the Bank as well as the risk involved, the Bank’s management policy, and the scope of impact thereof.	None
3. Environmental Concerns (1) Does the company establish proper environmental management systems based on the characteristics of their industries? (2) Does the company endeavor to utilize energy more efficiently and use renewable materials which have low impact on the environment?	✓ ✓		(1) The Bank is committed to taking environmental concerns into account over the course of daily operations and striving co-existence and mutual prosperity with the environment. Since 2018, the Bank has annually secured ISO 14001 certification of its environmental management system that covers business outlets throughout the country. The establishment of comprehensive and sound environmental management mechanisms ensures that environmental management measures are taken effectively. In addition, since 2019 the Bank has carried out ISO 14064 greenhouse gas inventories and acquired the verification statement every year. The aforesaid inventory covers business outlets throughout the country to ensure effective monitoring of greenhouse gas emissions. (2) On top of adopting energy-conserving equipment among other energy conservation and carbon reduction endeavors, the Bank introduced the ISO 50001 energy management system and secured certification thereof in 2021. This systematic energy management framework has proven effective in enhancing energy use efficiency. Combined, the Bank’s business outlets throughout the country consumed 5.58 million kWh of electricity, or 6,696 kWh per capita, in 2020. These numbers fell to 5.52 million kWh and 6,325 kWh respectively in 2021. In making procurement, the Bank gives top consideration to suppliers with an avowed commitment to environmental protection and green energy or those coming with an Eco-label. In line with its green procurement policy to minimize the environmental burden of consumable materials, the Bank makes it a point to adopt only recycled paper and recyclable toner cartridges.	None

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
(3) Does the company evaluate the potential risk and opportunities in climate change with regard to the present and future of its business, and take appropriate action?	✓		(3) In accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) established by the Financial Stability Board, the Bank has identified three most significant climate-related risks: severity of extreme weather events and impact of a higher frequency of their occurrence on our operations, severity of extreme weather events and impact of a higher frequency of their occurrence on our business, and stigmatization of sector. By contrast, the three most significant opportunities are to be found in an upgrade in sustainability/ESG index ratings, increased diversification of financial assets, and new revenue streams from new environmental markets and products. In terms of the three most significant climate-related risks, the Bank has devised countermeasures and assessed their possible financial impact with a view to increasing climate resilience. To capitalize on the three most significant climate-related opportunities, relevant business departments are called upon to develop fitting products and services accordingly. Please refer to the Bank's corporate sustainability report “3.4.2 Climate Change Risks” for the TCFD disclosure framework and sub-information (The Bank's corporate sustainability report can be downloaded on the Bank's website under the Corporate Social Responsibility Section).	
(4) Does the company take inventory of their greenhouse gas emissions, water consumption, and total waste produced over the last two years, and implement policies on carbon reduction, greenhouse gas reduction, water reduction, or waste management?	✓		(4) The Bank's Environmental Management Policy, established by the Environmental Protection Subcommittee under the Corporate Social Responsibility Committee, spells out goals for energy conservation and carbon reduction of the Bank's business outlets in Taiwan. With 2020 as the base year, these include an 6%; 8%; and 1% reduction per capita in electricity consumption, water use, and waste output in the long term. To effectively conserve energy and reduce carbon emissions, O-Bank has adopted a multifaceted environmental protection policy. Separately, the Bank has committed itself to achieving net zero carbon emissions by 2050. The inventory report shows that the greenhouse gas emission (including Scope 1, 2 and 3) from the Bank's business outlets in Taiwan amounted to 3,359.5 tons, or 4.03 tons per capita, in 2020. The two tallies came in at 3463.3 tons and 3.97 tons respectively in 2021. Aggregate and per capita water consumption fell to 15,663 tons and 17.9 tons respectively in 2021 from 16,827 tons and 20.2 tons the year before. At the head office, the 2021 volume of waste was 96.6 tons, or 0.157 tons per capita, compared with 80.3 tons and 0.133 tons a year earlier. The Bank annually renews ISO 14001 certification of its environmental management system that covers business outlets throughout the country. The latest certification is valid for November 11, 2021-December 4, 2022.	
4. Social Concerns				None
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) Committed to protecting human rights, the Bank observes the UN Universal Declaration of Human Rights and other international human rights conventions. The O-Bank Co., Ltd. Human Rights Policy has been enacted with a view to putting an end to any conduct that infringes or violates human rights. To be sure, this policy aims to ensure diversity in the workplace that is safe, free from any discrimination, and accessible for communication through multiple channels. Meanwhile, the Bank annually reviews the human rights risk that employees may face and draws on human resources data to assess the risk associated with human rights issues. Results of this assessment are then used as the basis for the introduction of alleviating measures and management objectives, thereby reducing the damage to and impact on employees. To enhance employee awareness of human rights, new hires are required to undergo training in such areas as legal compliance, gender equality, sexual harassment prevention, and care for the disadvantaged. To be sure, similar training is implemented to bolster the entire workforce's understanding of human rights-related issues.	

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
(2) Does the Company set out and implement reasonable employee benefits (including pay, leave, and other benefits), and reasonably reflect operating performance or results into its employee compensation policy?	✓		<p>(2) In the Bank's Regulations for Managing Employee Compensation, stipulations are spelled out concerning how salaries and other forms of compensation are to be granted. As an extra incentive for employees to bring out their potential and strive for excellence, bonuses equivalent to a certain percentage of annual profits, if any, are to be paid out on the basis of every employee's position and performance. Moreover, the Bank tracks the salaries granted by industry peers on a regular basis for the reference of revising its own compensation policy so as to keep up a competitive compensation regime. The Bank has thus been included as a component of the TWSE RAFI® Taiwan High Compensation 100 Index for four straight years.</p> <p>The Bank gives top priority to ensuring employee diversity and gender equality at the workplace. In 2021, women accounted for 50.1% of the workforce and the ratio of female supervisors came in at 46%. Above all, the Bank took the lead to offer homosexual employees leave and other benefits no different from those granted to their heterosexual colleagues. Moreover, on top of sick leave, menstrual leave, wedding leave, funeral leave, parental leave, maternity leave, paternity leave, and family care leave as required by law, the Bank goes a step further to offer paid leave for outstanding performance, family occasions or charity events and for male employees to keep their wives company for pregnancy checkups, thereby helping employees balance work and life. Meanwhile, the Bank offers employees holiday bonuses, birthday coupons, marriage allowances, maternity benefits, and medical subsidies</p>	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<p>(3) We strive to provide a safe, healthy, and comfortable working environment. Measures toward this end include primary air handling unit and fresh air ventilation systems, inspection of CO2 emissions on a regular basis, daily cleaning, and disinfection performed every week or every other week as dictated by the pandemic, a test of indoor air quality every two years, a building safety test every two years, a self-defense and firefighting drill every six months, cleaning of water tanks on a semiannual basis, quarterly random testing of drinking water, and two elevator maintenance checks each month.</p> <p>Implemented to protect employees from occupational accidents, the Bank's Occupational Safety and Health Operational Rules clearly spell out matters worthy of attention and health standards at the workplace and give detailed accounts of the basics with regard to emergency measures and equipment. The Bank offers comprehensive training on occupational safety and health at least once a year to minimize the risk of occupational accidents. In 2021, the Bank recorded a total of seven occupational injuries, all of which derived from commuting accidents (with the seven injured employees accounting for 0.8% of the Bank's workforce throughout the country). There was no serious occupational injury or even death reported for the year.</p> <p>Furthermore, the Bank pays attention to employee health by holding different types of sporting groups on a regular basis to promote healthy lifestyle. The Bank also provides employees with periodic health examination and health seminars. The receiving of Healthy Workplace Certification and Exercise Enterprise Certification Award reflects the Bank's effort in promoting sports in the workplace.</p>	
(4) Does the company provide its employees with career development and training sessions?	✓		<p>(4) Based on employees' needs for career development, the Bank devises training programs that take account of its core competence requirements each year. These courses cover such categories as work skills, management skills, financial expertise, and general knowledge. In 2020, the Bank recorded an average of over 43.5 training hours per person ; training hours averaged 45.3 for managerial employees and 43.1 for nonmanagerial ones. To stay on top of the economic trends and market changes, we invited outside experts to give talks, and we asked in-house experts to devise online courses so that employees could strengthen their expertise in financial technology and related issues. To help in-house talent move up another rung as next-generation managerial officers, the Bank implements the “O-Star” initiative, under which outperforming employees are given across-the-board training that offers extra allowances for a full year.</p>	

Evaluation Item	Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons	
	Yes	No		Abstract Explanation
(5) Does the Company comply with applicable laws and regulations and international guidelines on issues such as customer health, safety, and privacy in marketing and labeling its products and services, as well as implement a consumer protection policy and reporting procedures for consumers or clients to file complaints?	✓		<p>(5) The Bank not only complies with Personal Data Protection Act but also implements its own Regulations for Safeguarding the Security of Personal Information and other information security management mechanisms. Separately, the Bank offers comprehensive explanations of its products and discloses information concerning service fee charging standard on its official website. That is, the Bank implements a well-rounded explanatory mechanism for its products so that customers can fully understand product characteristics, risks, and fees before engaging in any transaction. In terms of advertisement, the Bank adopts Guidelines for Advertisement Solicitation and Sales Campaigns to ensure that the Bank’s publicity activities meet the spirit of honesty and protecting financial consumers.</p> <p>In terms of protecting consumer rights and interests and creating channels for consumer complaints, the Bank has enacted such internal regulations as Regulations on Handling Customer Complaints and Financial Consumer Disputes, Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents, and Procedures for Accepting and Handling Disputes in the Trust Business, and thereby formulating a well-rounded mechanism for consumers to file complaints and effectively protecting their rights and interests.</p>	
(6) Does the Company implement supplier management policies to require suppliers observe certain regulations and implementation status on environmental protection, occupational health and safety, or labor human rights?	✓		<p>(6) The Bank’s Rules for Promotion of Fulfillment of Corporate Social Responsibilities by Suppliers encourage suppliers to adopt corporate, ethical, labor, and environmental standards. The Bank also resorts to a “Supplier CSR Self-Assessment Form” to assess supplier performance on this front, including employment equality, employees’ human rights, safety and health, and environmental protection. Transactions can proceed only if suppliers are confirmed to have committed no violations thereof. If suppliers are found to have broken their pledge in terms of ethical management and corporate social responsibility or have otherwise incurred a conspicuous impact on the environment and society, the Bank may blacklist and block them from bidding for procurement, maintenance, and installation projects.</p> <p>In accordance with the Taiwan Stock Exchange Corporation Rules Governing Information Reporting by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds, we regularly disclose relevant information on the Bank’s website and the Market Observation Post System. We have also established a CSR section on our website to disclose CSR-related information on a regular basis.</p> <p>In 2021, the Bank had a total of 142 suppliers. While CSR self-assessment would be mandatory for any supplier from which the Bank’s procurement exceeds a given threshold (NT\$1 million), 42 of them met the requirement and, indeed, all 42 completed the said assessment. Against five suppliers on which the Bank was supposed to conduct on-the-spot checks, the Bank did so with nine, translating into a check ratio of 180%. None of the aforesaid suppliers that performed CSR self-assessment or underwent on-the-spot checks was found to have a major—actual or potential—negative impact in terms of environmental protection, safety and health, and labor human rights.</p>	
5. Does the Company refer to internationally accepted guidelines or guidance for compiling a corporate sustainability report and the like for disclosing nonfinancial information? Has the aforesaid report been verified or certified by a third party?	✓		<p>The Bank’s corporate sustainability report is compiled and structured in accordance with the GRI Sustainability Reporting Standards (GRI Standards) the AA1000 Accountability Principles, with reference also taken from the Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies, ISO 26000 Guidance on Social Responsibility, the UN Global Compact, and the Sustainable Development Goals. The report is subsequently assured by the British Standards Institution (BSI) pursuant to the GRI Sustainability Reporting Standards and the AA1000’s Type 1—Accountability Principles to perform third-party verification, and the Bank has obtained the BSI Independent Assurance Opinion every year.</p>	None

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
6. If the Company has established the corporate social responsibility principles based on the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please describe any discrepancy between the Principles and their implementation: None.				
7. Other important information to facilitate better understanding of the company’s sustainable development practices:				
			<ul style="list-style-type: none"> • Stakeholders and material issues: Based on discussions among internal CSR representatives from various departments and considering relevance to the duties of the said departments as well as the frequency of contact therewith, the Bank has identified the following six major stakeholders: employees, shareholders, government agencies, customers, suppliers, and the general public. After conducting surveys of the six major stakeholders and internal departments, we have identified issues that the stakeholders are most concerned about. In turn, we have established exclusive contact channels for the respective stakeholders and made such a public announcement on the Bank’s website. • Three Lines of Defense for Internal Control: Jointly enacted by the Bank’s three internal control departments (Legal and Compliance Division, Auditing Division, and Risk Management Department), the Principles for Three Lines of Defense for Internal Control secured approval from the 6th Board of Directors during its 25th meeting on February 22nd, 2017. Separately, the Human Resources Department, pursuant to Article 3 of the Standards for Departmental Organization and Duties, defines the scope of authorities and responsibilities of all departments under the aforesaid principles so that each department can act accordingly to ensure the Bank’s faithful undertaking of management and control efforts under the three lines of defense framework. • AML/CTF: In accordance with relevant guidelines of the competent authority, the Bank has adopted the risk-based approach toward assessing its vulnerability to money laundering and financing of terrorism. Likewise, a rigorous internal control mechanism as well as policies, procedures, and measures designed for anti-money laundering and countering the financing of terrorism have been put in place and employees have been offered related training. Moreover, Deloitte consultants were engaged for the optimization of the Bank’s AML/CTF monitoring of irregular transactions. This project was completed in February 2020; consistent provision of AML/CFT training (including that of directors); optimization of the mechanism for monitoring suspicious money laundering or terrorism financing transactions; and due diligence and routine examination of customers of different risk grades. • Fair Treatment of Customers: To create a corporate culture committed to protecting financial consumers, the Bank established its Fair Treatment of Customers Committee in November 2020. Chaired by the president, the committee convenes every two months to review such matters as customer complaints, operational risk case studies, and training on this front. Moreover, an annual conference is held to evaluate and review the Bank’s implementing fair treatment of customers. In 2021, the Bank promoted employee awareness and understanding of the Financial Consumer Protection Act and the Principles for Financial Service Industries to Treat Clients Fairly by offering online training for self-evaluation of compliance and a 3-hour online session for getting familiar with the Financial Consumer Protection Act. • Personal Information Management System: In 2017, the Bank ushered in Personal Information Management System (PIMS) and adopts the PDCA (Plan-Do-Check-Act) approach toward building its personal information protection system. Its personal information management policy is faithfully implemented by analyzing operational procedures, information systems, and third-party management and keeping stringent control over the acquisition, handling, use, transmission, storage, and sealing and destruction of personal information. In addition, the Bank continues to offer a series of training courses on personal information protection. Combining this initiative with its promotion of legal awareness and training on legal compliance, the Bank was proactive to incorporate personal information protection awareness into its corporate culture. Based on the composition and functions required of such a personal information management entity, the Bank has established its Personal Information Management Committee. With the president of the Bank as convener, the committee is charged with the oversight of personal information protection and management across the Bank. On November 19, 2021, the committee convened its annual meeting to review and decide on matters related to personal information as well as present a personal information self-evaluation report to the Board of Directors. 	

• The importance of the Bank's material issues and the risks, internal management policy, and scope of impact thereof:

Material Issue	Key Risk and Opportunity	Major Internal Policy	Scope of Impact					
			Direct Relationship	Commercial Relationship		Indirect Relationship		
			The Bank and Employees	Customers	Suppliers	Shareholders	The General Public	Government Agencies
Ethical Management and Corporate Governance	The financial services industry is charged with the safekeeping of people's properties. Honesty and integrity deserves to be the core value. To secure stakeholder trust and support, a competent and independent board of directors is needed to perform the duty of making decisions and conducting oversight. Any dishonest act tends to incur a corporate loss or government penalty, either of which will severely hurt the corporate image.	<ul style="list-style-type: none"> Ethical Corporate Management Best Practice Principles Code of Ethical Conduct Corporate Governance Principles Insider Trading Prevention Principles Procedural Rules Governing Board Meetings Regulations Governing the Scope of Duties of Independent Directors Regulations Governing the Performance Evaluation of the Board of Directors 	0	0	0	0		0
Information Transparency and Product Disclosure	Establish a transparent and public information disclosure channel so that stakeholders can learn more about and place greater trust in the Bank. Covered were such information as financial information, governance implementation status, product disclosure, etc.	<ul style="list-style-type: none"> Policy for Disclosing Information on Capital Adequacy and Risk Management Procedures for Filing External Reports and Disclosures Regulations Governing Suitability of Financial Derivatives Guidelines for Advertisement Solicitation and Sales Campaigns Guidelines for Wealth Management Product Applicability 		0		0		0
Risk Management	Enforcing risk management faithfully can prevent or mitigate various risks that may have a negative impact on the Bank, and keep risks to a minimum in the event of a major contingency and ensure that it is business as usual. Effective risk management can thus enhance the Bank's competitiveness in the case of market risks or environment risks.	<ul style="list-style-type: none"> Risk Management Policy Lending Policy Regulations for Managing Operational Risk Guidelines for Managing Credit Risk Regulations for Managing Market Risk Regulations for Handling Major Contingencies Major Accident Emergency Response and Recovery Plan Implementation Guidelines Procedures for Emergency Response in the Event of Natural Disasters 	0	0	0	0		0
Legal Compliance and Internal Audit	The banking industry must abide by financial laws and regulations, uphold internal audit systems, and ensure compliance of all employees to prevent violations and penalties, both of which will surely incur a loss and undermine operations and reputation.	<ul style="list-style-type: none"> Principles for Three Lines of Defense for Internal Control Regulations Governing the Bank's Legal Compliance System Regulations Governing the Examination of Bank Operations Self-Inspection and Self-Evaluation Regulations Whistleblowing Policy AML/CFT Policy Regulations for Preserving the Security of Personal Information Files Personal Information Management Policy 	0	0	0	0		0
Business Performance	Securing profit and growth is the fundamental goal of businesses, and keeping up a solid business performance over the long term is crucial for sustainable development. While a decline in performance is bound to undermine employee and shareholder confidence, an uplift will promote corporate development on all fronts.	<ul style="list-style-type: none"> Articles of Incorporation Regulations for Implementing Management by Objectives Procedural Rules Governing Shareholders' Meetings Shareholding Management Regulations 	0			0		

Material Issue	Key Risk and Opportunity	Major Internal Policy	Scope of Impact					
			Direct Relationship	Commercial Relationship		Indirect Relationship		
			The Bank and Employees	Customers	Suppliers	Shareholders	The General Public	Government Agencies
Innovation and Strategy	It is essential to implement well-defined strategies for short-, medium-, and long-term development. Equally important is to persist with innovation and grow uniqueness and competitiveness in order to stay abreast of the market.	<ul style="list-style-type: none"> Articles of Incorporation Regulations for Implementing Management by Objectives 	0	0		0		
Information Security	Financial transaction security and customer information protection are surely the primary responsibilities of the financial services industry. Ensuring information security is all the more important for digital financial services to earn customer trust and avoid information security risks.	<ul style="list-style-type: none"> Information Security Policy Guidelines for Implementation of Information Security Organizations Guidelines for Information Security Management Mechanism Guidelines for Managing Online Corporate Banking Operations Guidelines for Managing Online/Mobile Retail Banking Operations 	0	0				0
Service Quality and Customer Satisfaction	Delivering a premium financial services experiences and well-rounded reporting channels is prerequisite to increasing customer satisfaction, creating good customer relations, and preventing brand image damage and goodwill loss.	<ul style="list-style-type: none"> Principles for Fair Treatment of Customers Regulations for Handling Customer Complaints and Financial Consumer Disputes Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents 		0				0
Financial Inclusion	Financial inclusion is set to help create a business model conducive to building an environment that is favorable to society and environmental sustainability and makes financial services available to more consumers. In turn, the financial services industry itself can expect to enjoy long-term development and attain sustainability.	<ul style="list-style-type: none"> Articles of Incorporation Regulations for Implementing Management by Objectives 		0			0	0
Talent Cultivation and Training	Corporate growth hinges on talent; well-rounded talent cultivation is crucial for the Bank to stay on long-term growth track in an increasingly competitive environment.	<ul style="list-style-type: none"> Guidelines for Implementing Employee Training Performance Management Regulations Regulations Governing Employee Promotions 	0					
Equal and Friendly Workplace	Offer a diverse, equitable, and healthy working environment and uninhibited channels for internal communication, thereby creating a happy workplace that can effectively meet employee needs, attract and retain talent, and prevent occupational accidents or discrimination.	<ul style="list-style-type: none"> Human Rights Policy Recruitment and Selection Guidelines Guidelines for Sexual Harassment Prevention Occupational Safety and Health Rules Employee Health Examination Guidelines Employee Retirement Regulations 	0					0
Employee Compensation and Benefits	Build a comprehensive and fair compensation system and provide competitive compensation and benefits in order to attract fine talents, thereby driving the company's progress and development and avoiding labor disputes.	<ul style="list-style-type: none"> Regulations Governing Employee Compensation Employee Stock Ownership Trust Management Regulations Regulations for Managing Employee Loans Employee Attendance Management Guidelines 	0					

(7) Ethical Corporate Management Implementation Status and Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Bank enact an ethical management policy that has been approved by the Board of Directors and declare in both internal regulations and external documents this ethical management policy, relevant measures, and the commitment of the Board of Directors and senior executives to rigorously implementing the said policy?</p> <p>(2) Does the Bank establish a mechanism for analyzing and assessing aspects of its business operations that have a relatively higher vulnerability to unethical conduct and, in turn, adopt a program for preventing unethical conduct that at least covers the acts listed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>	<p>✓</p> <p>✓</p>		<p>(1) Upon its establishment in 1999, the Bank enacted the Self-Discipline Rules for Ethical Conduct. Employees were required to conform to all applicable codes and regulations. The guiding principle for interaction with customers was that one shall not, by virtue of his/her position at the Bank, secure any personal gains; shall not solicit business or secure business or personal gains by bribery, kickback, allowances, gratuities, or other illegal means; shall remain fair and impartial when conducting procurement or issuing invitations for bids; and shall not assist customers in falsifying documentation or overvaluing assets.</p> <p>The Bank also included the foregoing provisions together with Article 35 of the Banking Act—neither the responsible person nor any staff member of a Bank shall accept, under any pretense, commissions, rebates, and the amount of other unwarranted benefits from depositors, borrowers, or other customers—as common items for legal compliance. Training and examination thereof were conducted on a regular basis.</p> <p>In line with statutory changes and amendments, the Board of Directors adopted the Code of Ethical Conduct and Ethical Corporate Management Best Practice Principles in 2015, followed by the enactment of the Procedures for Ethical Corporate Management and Guidelines for Conduct in 2016. Given their conviction of ethical management and commitment to being honest, transparent, and responsible, members of both the Board of Directors and management are set to keep up their implementation of ethical management policies, creating sound corporate governance, and building an environment for sustainable development. In addition, the Bank discloses its ethical management policies and the implementation of ethical management in its sustainability report, and on its website and the Market Observation Post System.</p> <p>(2) To ensure ethical management and enhance employee awareness thereof, the Bank started in 2019 to undertake self-assessment of risk on this front throughout the entire workforce and to implement preventive measures to mitigate vulnerability to unethical conduct in business operations. Meanwhile, the Bank's directors and senior executives were asked to sign a statement on compliance with its ethical management policy and all employees, a declaration of consent to comply with the said policy and faithfully stand by the preventive measures laid out in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, thereby preventing unethical conduct. A total of 963 persons—all directors, senior executives, and employees for whom it was mandatory to sign the aforementioned documents—did so in 2021. Moreover, the Bank requires personnel of specific departments to undergo periodic rotation so as to ensure a well-rounded internal control system and operational security. The Bank also resorts to negotiating with employees about taking holidays in a bid to further bolster risk management. Separately, the Bank has adopted the Regulations Governing the Review of Making Donations as the guideline for such activities. On top of the principles of honesty, integrity, and prudence, all business activities are undertaken in accordance with applicable regulations.</p>	<p>None</p>

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No		
(3) Does the Bank spell out operating procedures, guidelines for conduct, punishment for violation, and rules of appeal in the aforesaid program for preventing unethical conduct, implement it faithfully, and review and amend it on a regular basis?	✓		(3) The Bank's Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Code of Ethical Conduct all unequivocally prohibit unethical conduct by employees and specify matters for their attention in the course of performing duties. Upon the discovery of any violation of ethical corporate management and conduct regulations, a report shall be made immediately to an independent director or managerial officer, the chief internal auditor, or another suitable managerial officer. Upon verification of any such allegations, the violator shall be dealt with in accordance with applicable laws and regulations or the Bank's internal regulations on employee rewards and penalties. In 2020, the Bank's Code of Ethical Conduct and Procedures for Ethical Management and Guidelines for Conduct were amended in compliance with applicable laws and regulations and in conformity with the Bank's operations. Separately, while offering training to newly recruited employees and to all employees with regard to legal compliance, the Bank makes it a point to exhort them to stay honest and fair and conform to applicable laws and regulations in the course of performing their duties. As such, training on regulations related to ethical management is undertaken to ensure that all employees always keep good-faith management in mind and act accordingly.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) In accordance with applicable laws and regulations, the Bank has in place specific regulations governing lending, investment, trust, financial transactions, or other business dealings that involve interested parties. Also adopted are clearly defined regulations that specify the following: with the exception of those granted priority status thanks to a solid CSR track record in accordance with the Bank's Guidelines for Urging Suppliers to Fulfill Corporate Social Responsibility, there shall be no preference for any specific party over the course of conducting procurement or issuing invitations for bids, and internal audit personnel shall be involved in the price negotiation process for procurement projects of NT\$1 million or more; personnel engaging in investment or lending shall conform to applicable internal regulations and honor the obligation of reporting when warranted, thereby preventing conflicts of interest. Over the course of conducting business, the Bank shall incorporate compliance with and commitment to ethical corporate policy into all contracts signed with transaction counterparties lest it should transact with any party that has engaged in unethical conduct. Given that the banking industry is required to secure sanctioning of the competent authority and thus subject to stringent supervision, the Bank is obligated to ensure that its business activities, donations, accounting system, and business secrets conform to the Company Act, Securities and Exchange Act, Business Entity Accounting Act, and Banking Act. In accordance with applicable laws and regulations, the Bank has also established an internal control and audit system and a self-audit system. Internal auditors and CPAs conduct random checks on the undertaking of business activities and submit reports to the Audit Committee and Board of Directors at least on a quarterly basis, thereby promoting sound management and ensuring the efficiency of business operations, reliability of financial reporting, and compliance with applicable laws and regulations.	None
(2) Does the Bank establish a unit under the Board of Directors that is devoted exclusively to promoting ethical management and reports on a regular basis (at least once a year) to the Board of Directors on its supervision of the Bank's implementation of its ethical management policy and program for preventing unethical conduct?	✓		(2) To attain ethical corporate management, the corporate governance team under the Corporate Social Responsibility Committee is charged with the responsibility of enacting and implementing the Bank's ethical corporate management policy and related plans. It is also responsible for submitting reports on implementation results to the Board of Directors each year (at least once a year). Such reports are to contain results of promotion and training of ethical corporate management, accomplishment of the "informant's mailbox," and measures taken to prevent unethical conduct and the results thereof, which are all intended to ensure the Bank's ethical corporate management.	

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No		
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) It is specified in the Bank's Corporate Governance Principles that when the Board of Directors, Audit Committee, Compensation Committee, or Corporate Governance and Nomination Committee meets, the Bank's highly self-disciplined directors shall refrain from participating in the discussion and voting process in relation to any matters that involve their personal interests and do not exercise the voting rights of other directors by proxy. Directors also exercise self-discipline and refrain from extending one another improper support otherwise. Furthermore, in the Bank's Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct, it is stipulated that the directors, managerial officers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the Bank to obtain improper benefits for themselves, spouses, parents, children, or any other person. Meanwhile, corporate governance courses are made available to directors to enhance their capacity for supervision and governance, in turn strengthening the Bank's corporate governance and attaining ethical corporate management. Separately, the Bank has installed its whistleblower system in the corporate governance section of its website. Available therein are the Bank's Whistleblowing Policy and the means by which to file such reports. Anyone who finds reason to implicate any person of the Bank in criminal acts, frauds, or violations of laws and regulations may file a report to the Bank by phone, email, mail, etc. To uphold corporate governance and ethical management, the Bank shall keep confidential both the identity of the whistleblower and the contents of the aforesaid report and take action to verify allegations therein.	
(4) Does the Bank, in order to ensure ethical management, establish effective accounting and internal control systems and have its internal audit department take account of the result of its assessment of unethical conduct risk while mapping out an audit plan to examine the Bank's compliance with its program for preventing unethical conduct or engage CPAs for conducting such audits?	✓		(4) To faithfully conduct ethical management, the Bank has established effective internal control and accounting systems in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. In addition to conducting audits of domestic business, financial, asset custody, information, other management units, and overseas outlets on a regular basis, the Bank engages CPAs for routine audits in order to ensure effective operations of the said systems. Separately, the Bank's Auditing Division has incorporated the result of its assessment of unethical conduct risk into its auditing plan to ensure the Bank's ethical management.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) As prescribed by applicable regulations, the Bank organizes sessions to promote employee awareness of ethical management and offers training thereof each year. Highlights include the Principles for Ethical Management and the Procedures for Ethical Management and Guidelines for Conduct as well as instances of unethical conduct. Separately, the Bank undertakes sessions on a regular basis to familiarize all employees with the latest statutory developments and important instances of domestic banks or financial holding companies being penalized, thereby helping employees enhance ethical standards and strengthen compliance awareness. Meanwhile, training of self-audit personnel is also conducted on a regular basis to ensure effective implementation of self-audits, strengthen internal control of business units, and prevent unethical conduct.	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Bank establish standard operating procedures for investigating whistleblower allegations, follow-up measures in the wake of such an investigation, and the confidentiality mechanism thereof?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Bank has, in accordance with law, established a whistleblower system, including the Whistleblowing Policy and a whistleblower mailbox. Employees are encouraged to report on unlawful and unethical conduct and any other act in violation of ethical management. Meanwhile, a unit with the capacity for performing duties independently is charged with the acceptance and investigations of whistleblower reports. Anyone found to have violated applicable laws and regulations shall be dealt with in accordance with the Bank's Regulations Governing the Rewards and Penalties for Employees and other applicable regulations.</p> <p>(2) The Bank has adopted stringent operating procedures for conducting investigations on allegations in whistleblower reports. The contents of these reports and the handling thereof as well as other related information are all kept confidential to protect both the whistleblower and personnel involved in such investigations. After such an investigation is completed, the Bank follows up with courses of action and other pertinent measures it deems proper.</p> <p>(3) The Bank keeps confidential all whistleblower reports—internal and external—so as to make sure that the whistleblower is not subject to any improper treatment accordingly.</p>	None
<p>4. Strengthening information disclosure</p> <p>Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>	<p>✓</p>		<p>Not only does the Bank disclose its Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Code of Ethical Conduct, on its website and the Market Observation Post System (MOPS), the Bank also disclose its implementation of ethical management both in its annual report and on its website. Separately, the Bank's website also fully discloses other information with regard to its business operations, interest rates, and assessment of economic conditions for the reference of the general public. In accordance with applicable laws and regulations, the Bank also discloses material financial and operational information on the Market Observation Post System (MOPS) in a timely fashion. Meanwhile, the Bank's work toward sustainable development is disclosed in its annual report.</p>	None
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>There have been no differences.</p>				
<p>6. Other important information to facilitate a better understanding of the company's ethical corporate management policies.</p> <p>To effectively implement its ethical management policy and promote sound business, the Bank has established a whistleblower system and relevant regulations. Strategic management is conducted to secure quantitative data for the evaluation of the Bank's effectiveness in implementing its ethical management policy:</p> <p>(1) Success rate of training on ethical management:</p> <p>To effectively establish measures to promote ethical management and prevent unethical conduct, the Bank organized a lecture on corporate governance and ethical management for directors in 2021. A lecturer from the Taiwan Corporate Governance Association helped the Bank's directors enhance awareness of corporate ethics and strengthen their capacity for corporate governance by speaking on the ethics principles and fair treatment of customers. Separately, training on ethical management was also conducted across the Bank. Covered were such topics as the Principles of Four-Lines of Defense for Ethical Management, the Procedures for Ethical Management and Guidelines for Conduct, instances of unethical conduct, and preventive measures for business activities vulnerable to the risk of unethical conduct. A total of 861 employees participated in the training, 430.5 hours of training, translating into a 100% success rate.</p> <p>(2) Establishment of a whistleblower system:</p> <p>To encourage internal and external personnel to report unethical conduct or misconduct, the Bank adopted its Whistleblowing Policy. Any person who discovers that a director, supervisor, manager, employee, or mandatary of O-Bank or a member of the O-Bank Group, or a person having substantial control of O-Bank or the Group, has possibly committed crimes, cheating, or regulatory violations, may report it to the Bank's Audit Division and convener of the Audit Committee by phone, email, or mail. As the Bank's whistleblowing mechanism stands, an investigation shall be initiated within a given period if preliminary deliberation warrants it. If the alleged perpetrator is determined to have violated applicable laws or regulations, the case shall be turned over to the Bank's human resources unit for disciplinary action in accordance with its internal rules, the Bank's Regulations Governing the Rewards and Penalties for Employees. In the event of a particularly serious offense, the Bank may directly hand it over to law enforcement authorities for investigation. To keep the whistleblower up to date, the Bank may report the latest developments by phone, email, mail, or other means. Information pertaining to the whistleblower's identity shall be kept confidential. The Bank shall not, due to the filing of a whistleblowing report: fire, dismiss, or demote the whistleblower; harm the rights and interests that the whistleblower ought to enjoy under law, contract, or established practice; or otherwise take actions prejudicial to the interests of the whistleblower. In 2021, the Bank received 13 emails, all without specific alleged perpetrator being indicated or any whistleblowing issue being involved; in addition, no legal violation or fraud was found. Therefore, no whistleblower report was recorded.</p> <p>(3) Ratio of imposing penalties against reports being presented on conduct in violation of ethical management principles in 2021:</p> <p>No report was recorded on any conduct in violation of ethical management principles in 2021 and, therefore, no penalty was imposed.</p>				

(8) Corporate Governance Guidelines and Regulations

Please refer to the Bank's website (<https://www.o-bank.com>) as well as the Market Observation Post System (<https://mops.twse.com.tw>).

(9) Other Important Information Regarding Corporate Governance

A. Succession Planning of the Board of Directors

(A) Board of Directors

O-Bank, abiding by its Articles of Incorporation, adopts the candidate nomination system for election of directors. The qualification of the directors shall conform to the laws and regulations governing the qualification requirements of Banks. The Board shall be equipped with the capacity for business judgment, accounting and financial analysis, operations and management, risk management, crisis management, industry knowledge, international market perspectives, leadership, and decision making. The Board shall be comprised of directors with diverse specializations and rich experiences in line with the Bank's goal of diversified developments. When planning succession candidates for the Board, the Bank shall take into consideration its diversification policy, the candidates' familiarity to the industry, and the mid- to long-term operation strategies, in order to fulfill the Bank's goal of sustainability and commitment to strengthening the functions of the Board of Directors. The Bank completed its 8th Board of Directors re-election at its Shareholders' Meeting on June 19, 2020. The Shareholders' Meeting elected 15 directors, including 7 natural-person directors. Ms. Tina Y. Lo was elected as Chairman, and Mr. Kenneth C.M. Lo, the former Chairman, was appointed as Honorary Chairman.

When making continuing education arrangements, the Bank is set to assist the directors to enhance their professional expertise and legal knowledge and to develop their distinguished attributes and decision-making abilities. Based on "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," the Bank's directors completed a minimum of 6 CPE (Continuing Professional Education) hours, with a total of 128 hours completed by the overall Board in 2021. All in all, the continuing education scheme has operated well.

(B) Senior Management

To accommodate organizational development and ensure the continuity of management, the Bank formulates a comprehensive training program in tandem with its business strategy to cultivate next-generation managers, thereby enhancing competitiveness and securing sustainable growth.

This training program for next-generation managers centers on a number of core concepts. That is, would-be managers are to be imbued with core competences that are defined by Trust, Outstanding, Unity, Creativity, and Honor. In addition to an excellent working capacity, they are supposed to hold personal values compatible with the Bank's corporate culture and possess such traits as honesty, passion, and leadership. In keeping up with the Bank's business plan and future prospects, Elton F.Y. Lee was appointed as the President of O-Bank by the Board of Directors on October 24, 2019.

We draw from specialized training to ensure that employees primed for key positions, from senior managers to departmental supervisors, fully understand the importance of their personal development to the Bank's future development. Emphasis is placed on giving trainees opportunities to temper themselves and develop a solid capacity for decision making and judgment calls. The training comprises:

- Management Competency: Domestic and foreign experts are engaged to lecture on leadership to different levels of managerial employees.
- EMBA Programs or the Taiwan Academy of Banking and Finance's Leading Executive Apex Program (LEAP): Employees who hold promise are enrolled in such programs of eminent institutions for industry-academia training to grow them into top-tier managers who possess a global vision, the capacity for comprehensive strategic thinking, and skills in information technology.
- Proxy System: The proxy system makes it possible for senior managers reporting directly to the CEO to undergo training in the capacity as the latter's deputy, thereby bolstering their decision-making and management capability.
- Rotation of Managerial Positions among Affiliates: Next-generation leaders are to undergo rotation of managerial positions among affiliates to help them get familiar with different operations of the O-Bank Group and accumulate a hands-on experience in cross-sector management.
- Assignments as Directors/Supervisors of Affiliates: The experience of serving as directors and supervisors of affiliates is crucial to strengthening the capacity for corporate governance, operations of the Board of Directors, and legal practices associated with business management, thereby creating an all-encompassing managerial capacity.

B. Please refer to the Bank's website (<https://www.o-bank.com>) for other important information.

(10) Internal Control Systems

A. Statement on Internal Control System

O-Bank Co., Ltd.

Statement on Internal Control System

On behalf of O-Bank Co., Ltd., we hereby certify that in the period from January 1, 2021 to December 31, 2021, the Bank duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, conducting risk management, designating an independent audit department to conduct audits, and presenting reports to the Board of Directors and supervisors/ Audit Committee/Board of Supervisors on a regular basis. Also, the Bank duly complied with Paragraph 5, Article 38 and Article 38-1 of the aforesaid Rules, and the Self-Regulatory Rules on Information Security by Taiwan Securities Association. With regard to the securities business, the Bank assessed the effectiveness of the design and implementation of its internal control system based on the evaluation criteria set forth in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets." With regard to the Bank's concurrent conducting of insurance agent or insurance Broker business, the Bank evaluates the effectiveness of the design and implementation of its internal control system based on the criteria provided in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies." After prudent evaluation, we hereby certify that except items listed in the attachments, the internal control and legal compliance systems, and information security of all departments were effectively implemented during the year:

This Statement will be included as a major component of the Bank's annual report and other prospectuses and disclosed to the public. Any information contained in this Statement that is found to involve falsification, concealment, or other illegalities shall be subject to legal liabilities prescribed in Articles 20, 32, 171, and 174 of the Securities and Exchange Act listed above.

The Statement is submitted to the Financial Supervisory Commission

Declarant

Chairman: Lo, Tina Y.

President: Lee, Elton F.Y.

Chief Auditor: Fan, Vivian H.J.

Chief Compliance Officer: Wang, Chia Chi

Chief Information Security Officer: Tan, Kevin H.C.

March 16, 2022

**O-Bank Internal Control System:
Items in Need of Improvement and Corrective Plan**

Record Date: December 31, 2021

Items in Need of Improvement	Corrective Measure	Time Expected for Completion of Improvement
When the Bank was renewing its first batch of debit cards, some expiring cards were already denied ATM withdrawals prior to activation of new ones and some new cards were erroneously delivered to outdated addresses.	Card renewal software has been updated accordingly.	Improvement completed
The Bank could not send or receive messages through the SWIFT system on November 26, 2021.	A bolstered self-check system has been implemented for the SWIFT system upon its activation.	Improvement completed

O-Bank Co., Ltd.

Statement on AML/CFT Internal Control System

On behalf of O-Bank Co., Ltd., we hereby certify that in the period from January 1, 2021 to December 31, 2021, the Bank duly complied with relevant regulations on AML/CFT in establishing its internal control system, conducting risk management, designating an independent audit department to conduct audits, and presenting reports to the Board of Directors and Audit Committee on a regular basis. After prudent evaluation, we hereby certify that except items listed in the attachment of "AML/CFT Internal Control System: Items in Need of Improvement and Corrective Plan," the AML/CFT internal control systems of all departments were effectively implemented during the year.

The Statement is submitted to the Financial Supervisory Commission

Declarant

Chairman: Lo, Tina Y.

President: Lee, Elton F.Y.

Chief Auditor/Head of Auditing Division: Fan, Vivian H.J.

Chief AML/CFT Compliance Officer: Wang, Chia Chi

March 16, 2022

**O-Bank AML/CFT Internal Control System:
(the Bank and Trust Business)**

Items in Need of Improvement and Corrective Plan

Record Date: December 31, 2021

Items in Need of Improvement	Corrective Measure	Time Expected for Completion of Improvement
A CPA audit revealed one failure in PEP/RCA spotting, thereby signaling the Bank’s watchlist to be incomplete.	The Bank has amended its watchlist filtering program on customers and connected parties of transactions. Whenever a high-risk PEP takes office, RCA-related keyword searches are to be conducted to ensure that the Bank’s watchlist remain complete.	Improvement completed
A CPA audit revealed one failure in uploading negative media coverage. (Hong Kong Branch)	Reupload the said media coverage and file it away afterwards. Conduct systematic verification.	Improvement completed Improvement is due to be completed on June 30, 2022.
Evaluation of watchlist screening to determine its effectiveness. (Hong Kong Branch)	1. Reexamine the reasonableness of the warning threshold for unusual transactions. 2. Strengthen human management of alerted cases.	Improvement is due to be completed on October 31, 2022.
Need to address overdue management of alerted cases concerning unusual transactions.		

**O-Bank AML/CFT Internal Control System:
(the Bank’s Insurance Agent Business)**

Items in Need of Improvement and Corrective Plan

Record Date: December 31, 2021

Items in Need of Improvement	Corrective Measure	Time Expected for Completion of Improvement
None (no item is in need of improvement)		

B. Where a CPA has been hired to carry out a special audit of the internal control system, the audit report shall be disclosed: None.

(11) Status of any sanctions imposed due to violations of laws or regulations in the most recent two years and up to the publication date of this annual report, and major deficiencies and status of the improvement thereof

Item	2020		2021		2022, up to the publication date of this annual report	
	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement
1. Any indictment of a responsible person or employee by the prosecution for an occupational offense	None	-	None	-	None	-
2. (1) Any fine imposed by the Financial Supervisory Commission for statutory violations or penalty slapped by the Bank on internal personnel for violating provisions of its internal control system, either of which may have a material impact on shareholders' equity or share price or can be interpreted as ranking among matters listed in Article 2 of the Financial Supervisory Commission's Explanatory Notes on Taking Major Punitive Measures for Violations of Financial Regulations	None	-	None	-	None	-
2.(2) Any sanctions imposed by the Financial Supervisory Commission pursuant to Article 61-1 of the Banking Act	The Financial Supervisory Commission found fault with the Bank's design and implementation of its identity verification mechanism for opening the third category of digital deposit accounts and demanded rectification thereof.	The Bank has amended internal regulations on opening personal deposit accounts, strengthened the identity verification mechanism for opening digital accounts, and adjusted the procedures thereof. Such improvement is completed.	None	-	None	-
3. Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully adopt necessary measures for upholding security. If actual losses, whether singly or in aggregate, exceed NT\$50 million in any given year, disclose the nature and amount of such losses.	None	-	None	-	None	-
4. Other disclosures required by the Financial Supervisory Commission	While the Bank did use encryption keys when uploading customer information to SFDC, it did not handle safekeeping of these keys on its own and change them on a regular basis. Meanwhile, the Bank's outsourcing contract with SFDC did not restrict the site of storage and processing for the aforesaid information or give the Bank the right of consent thereto. All of this proved unfavorable for keeping customer information confidential and protecting customer rights and interests.	The Bank has made encryption key changes on a regular basis, and completed de-identification of the customer information previously uploaded to SFDC on October 30, 2020. Such improvement is completed.	None	-	None	-

(12) Major Resolutions of Shareholders' Meeting and Board Meetings**A. Major Resolutions of 2021 General Shareholders' Meeting**

- 1) Ratification of business report and financial statements for 2020
Implementation result: The aforesaid report and statements were disclosed by means of a public announcement in accordance with applicable regulations and submitted to the competent authority for future reference.
- 2) Ratification of proposal for distribution of 2020 earnings
Implementation result: The Bank set August 1, 2021 as the ex-dividend record date and August 20 of the same year as the payout day. Shareholders were paid cash dividends of NT\$0.425 for every preferred share, totaling NT\$127,500,000 and cash dividend of NT\$0.20 for every common share, totaling NT\$545,453,860.
- 3) Approval of amendments to the Bank's Procedural Rules Governing Shareholders' Meetings
Implementation result: The amended Procedural Rules Governing Shareholders' Meetings was uploaded to the Market Observation Post System (MOPS) and made public on the Bank's website. Such procedures have been conducted accordingly since.
- 4) Approval of amendments to the Bank's Election Procedures for Directors
Implementation result: The amended Election Procedures for Directors was uploaded to the Market Observation Post System (MOPS) and made public on the Bank's website. Such procedures have been conducted accordingly since.
- 5) Approval of proposal for release of non-competition restrictions on members of the 8th Board of Directors:

Director	Position at the Bank	Positions at other companies
Lo, Tina Y.	Representative of Juridical-person Director (Ming Shan Investment Co., Ltd.)	Director, Lucky Bamboo Investments Limited
Lo, Kenneth C.M.	Natural-person Director	Chairman, Hong Ju Investment Co., Ltd.
Taiwan Cement Corporation	Juridical-person Director	Chairman, TCC International Holdings Limited Director, TCC International Ltd. (TCCI)
Chang, Nelson An-Ping	Representative of Juridical-person Director (Taiwan Cement Corporation)	Chairman, TCC Hong Kong Cement (BVI) Holdings Ltd. Chairman, TCC International Holdings Limited Chairman, Upper Value Investments Limited Director, Chinatrust Investment Co., Ltd. Director, TCC International Ltd. (TCCI) Director, TCC Hong Kong Cement International Ltd.
Chen, Shih-Tze	Representative of Juridical-person Director (Tai Ya Investment Co., Ltd.)	Director, Eagle Dynasty Investments Limited Director, Lucky Bamboo Investments Limited Director, Star International Pacific Ltd.
Lo, Nina Y.C.	Representative of Juridical-person Director (Ming Shan Investment Co., Ltd.)	Chairman, Prudential Fortune Investment Co., Ltd. Director, Silver Maple Enterprises Limited

B. Major Resolutions of Board Meetings in 2021 and up to April 19, 2022

- 1) 2021/2/24: the 6th meeting of the 8th Board of Directors
 - * Approval of the date, venue, and agenda of 2021 general shareholders' meeting
 - * Approval of application for a loan by "XX Company"
 - * Approval of the transition of IBOR
- 2) 2021/3/22: the 7th meeting of the 8th Board of Directors
 - * Approval of 2020 business report, consolidated financial statements, parent financial statements; distribution of 2020 earnings; director remunerations and employee remunerations for 2020
 - * Approval of proposal to review the Bank's director remuneration policy on a regular basis
 - * Approval of proposal for releasing non-competition restrictions on directors
 - * Approval of amendments to the Bank's Risk Management Policy, Organizational Rules, and Compensation Committee Organizational Rules
 - * Approval of adoption of the Bank's Regulations for Managing Market Risk
 - * Approval of the Bank's 2020 report on Evaluation of Money Laundering and Terrorism Financing Risks (headquarter version), Evaluation of Money Laundering and Terrorism Financing Risks on the Bank's Insurance Agent Business, statement on the Design and Implementation of its AML/CFT Internal Control System, the AML/CFT Internal Control Statement, Internal Control System Statement, and self-assessment of the implementation of Fair Treatment of Customers
 - * Approval of the Bank's "2021 plan on Control of Money Laundering and Terrorism Financing Risks"
 - * Approval of proposal for the appointment and compensation of the Bank's CPAs in 2021.
 - * Approval of the change of the Bank's Chief Risk Officer
- 3) 2021/5/5: the 8th meeting of the 8th Board of Directors
 - * Approval of amendments to the Bank's 2022 audit plan
 - * Approval of adoption of the Bank's Regulations Governing Domestic Business Units to Assist Overseas Branches in Data Delivery and Identity Verification
 - * Approval of proposal to seek damages from XX Industries Inc. for using fake transactions to apply for loans.
 - * Approval of proposal for the Bank's subsidiary IBT International Leasing Corp. to purchase the shares of IBT International Leasing Corp.
 - * Approval of the change of the Bank's Chief Operating Officer
- 4) 2021/6/29: the 9th meeting of the 8th Board of Directors
 - * Setting of August 1, 2021 as the record date for distribution of 2020 cash dividends of preferred stock and common stock
 - * Approval of proposal for the postponed date and venue of the Bank's 2021 general shareholders' meeting
 - * Approval of amendments to the Bank's Regulations Governing the Performance Evaluation of the Board of Directors and Risk Management Policy
 - * Approval of application for a change in the terms of an existing loan by "Cheng XX Development Co., Ltd." and "Guo X Construction Co., Ltd."
 - * Approval of the change of the Bank's Chief Risk Officer and Chief Operating Officer

- 5) 2021/8/20: the 10th meeting of the 8th Board of Directors
 - * Approval of consolidated and parent financial statements for the first half of 2021
 - * Approval of proposal for extending the rental of the Bank's headquarters building to affiliate China Bills Finance Corp.
- 6) 2021/11/3: the 11th meeting of the 8th Board of Directors
 - * Approval of amendments to the Bank's Regulations for Preserving the Security of Personal Information Files
 - * Approval of adoption to the Bank's Sustainable Credit and Investment Policy
 - * Approval of the resignation of the Bank's director
 - * Approval of the change of the Bank's deputy spokesperson and Head of Accounting
- 7) 2021/12/29: the 12th meeting of the 8th Board of Directors
 - * Approval of evaluation of CPAs as independent and suitable and of the Bank's hiring them as such
 - * Approval of amendments to the Bank's Corporate Governance Principles, Whistleblowing Policy, Assets and Liabilities Management Committee Organizational Rules, Corporate Social Responsibility Best Practice Principles and renaming to Sustainable Development Best Practice Principles, Organizational Rules, and Guidelines Governing AML/CFT for Insurance Agent Business
 - * Approval of the Bank's Corporate Governance System Assessment and 2021 External Performance Evaluation of Board of Directors
 - * Approval of the Bank's 2020 report on Evaluation of Money Laundering and Terrorism Financing Risks (bank-wide version)
 - * Approval of the results of the Bank's 2021 evaluation of audits at subsidiaries, the Bank's 2021 report on Self-evaluation of Personal Information Protection, and the implementation of the O-Bank Group's 2021 Plan for AML/CFT
 - * Approval of budgets proposed for 2022, 2022 audit plan and internal audit plan for the concurrent conducting of insurance agent business
- 8) 2022/2/23: the 13th meeting of the 8th Board of Directors
 - * Approval of the Bank's issuance of senior unsecured bank debentures and subordinated debentures
 - * Approval of amendments to the Bank's Risk Management Committee Organizational Rules, Regulations for Safeguarding the Security of Personal Information, Fair Treatment of Customers Committee Organizational Rules, and Guidelines for Fair Treatment of Customers
 - * Approval of application for a change in the terms of an existing loan by "Cheng XX Development Co., Ltd."
 - * Approval of the result of the Bank's 2021 Performance Evaluation of Board of Directors(Self-evaluation)
 - * Approval of the Bank's 2022 CSR/ESG plan
- 9) 2022/3/16: the 14th meeting of the 8th Board of Directors
 - * Approval of 2021 business report, consolidated financial statements, parent financial statements; distribution of 2021 earnings; director remunerations and employee remunerations for 2021
 - * Approval of the date, venue, and agenda of 2022 general shareholders' meeting
 - * Approval of proposal for releasing non-competition restrictions on directors
 - * Approval of proposal to review the Bank's director remuneration policy on a regular basis
 - * Approval of amendments to the Bank's Information Security Policy and Guidelines for Information Security

- * Approval of the Bank's 2021 report on Evaluation of Money Laundering and Terrorism Financing Risks (headquarter version), Evaluation of Money Laundering and Terrorism Financing Risks on the Bank's Insurance Agent Business, the AML/CFT Internal Control Statement, Internal Control System Statement, and self-assessment of the implementation of Fair Treatment of Customers
- * Approval of the Bank's 2022 plan on Control of Money Laundering and Terrorism Financing Risks

(13) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

(14) Resignation or Dismissal of the Company's Key Individuals

April 19, 2022

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Head of Finance	Tyane, Edward F.C.	2018.3.1	2021.11.12	Resignation
Head of Accounting	Chang, Niel W.F.	2018.9.17	2022.3.110	Resignation

Note: The Company's Key Individuals include the Chairman, President, Heads of Finance, Accounting, Internal Audit, and Corporate Governance, etc.

5. Information Regarding the Company's Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee (Note)	Total	Remarks
Deloitte & Touche	Chen, Yin-Chou Lin, Wang-Sheng	1st quarter to 3rd quarter of 2021	4,940	10,444	15,384	Due to internal adjustments by Deloitte & Touche, the CPAs was changed to Kuan-Hao Lee and Wang-Sheng Lin from Yin-Chou Chen and Wang-Sheng Lin.
	Lee, Kuan-Hao Lin, Wang-Sheng	4th quarter of 2021				

Note: Non-audit fees were meant for services with regard to negotiations (NT\$2,170 thousand), information technology projects (NT\$568 thousand), counseling for legal compliance (NT\$3,089 thousand), tax compliance (NT\$460 thousand), and other special projects (NT\$4,157 thousand).

6. Replacement of CPA

(1) Regarding the former CPA

Date of replacement	Approved by the Board of Directors on December 29, 2021		
Replacement reasons and explanations	Due to internal adjustments by Deloitte & Touche, the CPAs were changed to Kuan-Hao Lee and Wang-Sheng Lin from Yin-Chou Chen and Wang-Sheng Lin.		
Terminated by the Company or declined by the CPA	Status	Party	The Company
	Termination of appointment	Not Applicable	
	No longer accepted (continued) appointment		
The opinion and reason for any audit report expressing anything other than an unqualified opinion in the past two years	Not Applicable		
Dissenting opinions with the Bank	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	✓	
Remarks: None			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4 of the Standards)	None		

(2) Regarding the successor CPA

Accounting firm	Deloitte & Touche
Name of CPA	Lee, Kuan-Hao
Date of appointment	Approved by the Board of Directors on December 29, 2021
Consultation opinions and results on accounting treatments or principles with respect to specific transactions and the Bank's financial reports that the CPA might issue prior to the engagement.	None
Written opinions of succeeding CPAs that differ from those of former CPAs	None

(3) The reply letter from former CPAs with regard to matters spelled out in Article 10.6.1 and Article 10.6.2-3 of these Regulations: Not Applicable.

7. Audit Independence

The Company's Chairman, President, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2021.

8. Changes in Shareholding of Directors, Managers and Major Shareholders

(1) Changes of Shareholding

A. Directors and managerial officers

Unit: Shares

Title	Name	2021		As of Apr. 19, 2022	
		Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares	Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares
Chairman	Ming Shan Investment Co., Ltd.(Note1)	-	-	-	-
	Rep. : Lo, Tina Y.	-	-	-	-
Managing Director	Lo, Kenneth C.M.	-	-	-	-
Managing Director/ Director	Taiwan Cement Corporation(Note1)	-	-	-	-
	Rep. : Chang, Nelson An-Ping (2022.03.22 outgoing)	-	-	-	-
Director	Rep. : Huang, Edward Chien-Chiang (2022.03.22 incoming)	/	/	-	-
Managing Director	Yi Chang Investment Co., Ltd.(Note1)	-	-	-	-
	Rep. : Yeh, Roy J.Y.	-	-	-	-
Independent Managing Director	Hu, Fu-Hsiung	-	-	-	-
Independent Director	Lin, Hank H.K.	-	-	-	-
Independent Director	Liu, Richard R.C.	-	-	-	-
Director	Tai Ya Investment Co., Ltd.(Note1)	-	-	-	-
	Rep.: Chen, Shih-Tze	-	-	-	-
Director	Abag Investment Holdings Co., Ltd.	-	-	-	-
	Rep.: Cheng, George C.J.	-	-	-	-
Director	Lee, Mark J.C.	-	-	-	-
Director	Tai Ya Investment Co., Ltd.(Note1)	-	-	-	-
	Rep.: Lee, Elton F.Y.	-	-	632,000	-
Director	Yi Chang Investment Co., Ltd.(Note1)	-	-	-	-
	Rep. : Lin, Gordon W.C.	-	-	-	-
Director	Ming Shan Investment Co., Ltd.(Note1)	-	-	-	-
	Rep.: Lo, Nina Y.C.	-	-	-	-
Director	Lee, Yunny Y. (2021.09.17 outgoing)	-	-	/	/
Director	Lin, Bill K.C.	-	-	140,000	-

Title	Name	2021		As of Apr. 19, 2022	
		Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares	Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares
President	Lee, Elton F.Y.	-	-	632,000	-
Deputy President	Lin, Roger Y.F.	-	-	475,000	-
Deputy President	Chang, David C.C. (2022.07.26 outgoing)	-	-	/	/
Senior Executive Vice President	Chyr, Y. H.	(50,000)	-	45,000 (195,000)	-
Senior Executive Vice President	Wang, Chia Chi (2021.04.26 incoming)	-	-	70,000	-
Senior Executive Vice President	Huang, Indra Y.C. (2021.04.16 outgoing)	-	-	/	/
Senior Executive Vice President	Liu, Nancy S.F.(2021.04.26 outgoing)	-	-	/	/
Senior Executive Vice President	Liu, Gary C. Y.(2021.08.07 outgoing)	-	-	/	/
Senior Executive Vice President	Chang, Niel W.F. (2022.03.10 outgoing)	-	-	90,000	-
Executive Vice President	Fan, Vivian H.J.	-	-	115,000	-
Executive Vice President	Siew, Joy C.Y.	-	-	120,000	-
Executive Vice President	Chih, Eric V. C. (2021.7.28 incoming)	-	-	10,000	-
Executive Vice President	Chao, Tillie C.L. (2021.7.28 incoming)	-	-	30,000	-
Executive Vice President	Chen, Paul H.J.	-	-	50,000	-
Executive Vice President	Wang, John Y.C.	-	-	50,000	-
Executive Vice President	Chin, Teddy Y.T.	-	-	20,000	-
Executive Vice President	Tang, Jack J.H. (2021.7.29 incoming)	-	-	25,000	-
Executive Vice President	Lai, Joseph L.J.	-	-	95,000 (9,000)	-
Executive Vice President	Fang, Stanley H.W.	-	-	95,000	-
Executive Vice President	Hsieh, Leo T. J.	-	-	10,000	-
Executive Vice President	Yeh, Stephen K. W. (2021.3.23 incoming)	-	-	60,000	-
Executive Vice President	Tan, Kevin H.C.	-	-	55,000	-
Executive Vice President	Wang, Alan J.J. (2021.8.21 incoming)	-	-	20,000	-
Executive Vice President	Shao, Wen W.C.	-	-	50,000	/
Executive Vice President	Lin, Tom A.K.(2021.03.16 outgoing)	-	-	/	/
Executive Vice President	Tsai, Joseph T.S. (2021.07.17 outgoing)	-	-	/	/

Title	Name	2021		As of Apr. 19, 2022	
		Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares	Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares
Executive Vice President	Tyane, Edward F.C. (2021.11.12 outgoing)	-	-	/	-
Senior Vice President	Chang, Ophelia L.W.	-	-	95,000	-
Senior Vice President	Chang, Samson W. Y.	-	-	40,000	-
Senior Vice President	Soong, Grace L.H.	-	-	20,000	-
Senior Vice President	Fang, Andy C.P.	-	-	25,000	-
Senior Vice President	Tsou, Landy H.C.	-	-	-	-
Senior Vice President	Hsu, Pei Ling	-	-	60,000	-
Senior Vice President	Yang, Becky Y.W.	-	-	25,000	-
Senior Vice President	Chen, Gaven Y.	-	-	30,000	-
Senior Vice President	Hung, Ida K.Y.	-	-	80,000	-
Senior Vice President	Liu, Arnold H.I. (2022.01.01 incoming)	/	/	-	-
Senior Vice President	Huang, Colleen S.J. (2022.01.03 incoming)	/	/	-	-
Senior Vice President	Chen, C.Y.	-	-	40,000	-
Senior Vice President	Hung, Steven H.H. (2021.11.04 incoming)	-	-	-	-
Senior Vice President	Lin, Doris C. J. (2021.01.01 incoming)	-	-	90,000	-
Senior Vice President	Chiu, Jean Y.C. (2021.03.09 outgoing)	-	-	/	/
Senior Vice President	Lin, C. K. (2022.01.01 outgoing)	-	-	/	/
Vice President	Chang, Wesley S.C.	-	-	35,000	-
Vice President	Lin, Ted K.T. (2021.05.06 incoming)	-	-	15,000	-
Vice President	Li, Barry C.K. (2022.01.01 incoming)	/	/	15,000	-
Vice President	Chung, Eddie H.T. (2022.03.10 incoming)	/	/	-	-
Vice President	Lee, Daisy T.H.	-	-	25,000	-
Vice President	Chen, Jane C. C. (2021.03.23 incoming)	15,000	-	10,000 (15,000)	-
Vice President	Hu, Max C.M. (2021.08.21 incoming)	-	-	15,000	-
Vice President	Chen, Yuko Y. C. (2021.03.23 incoming)	-	-	30,000 (13,000)	-
Vice President	Wu, Ponny T. K.(2021.03.23 incoming; 2021.05.06 outgoing)	-	-	/	/

Title	Name	2021		As of Apr. 19, 2022	
		Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares	Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares
Vice President	Chen, Nico S. C. (2021.07.10 outgoing)	-	-	/	/
Vice President	Pan, Claire Y. (2021.01.01 incoming; 2022.01.01 outgoing)	-	-	/	/
Vice President	Liu, David C.C. (2022.02.24 outgoing)	-	-	90,000	-
Assistant Vice President	Chen, Judy S.F.	-	-	-	-
Assistant Vice President	Lee, Alex L.Z. (2022.01.01 incoming)	/	/	-	-
Assistant Vice President	Tai, Hsin Yi (2021.11.12 incoming)	-	-	-	-
Assistant Vice President	Wu, Antony Y.C. (2022.01.01 incoming)	/	/	15,000	-
Assistant Vice President	Chang, Michael C.C. (2021.05.06 outgoing)	-	-	/	/
Assistant Vice President	Chuang, Rita H. C. (2022.01.01 outgoing)	-	-	/	/
Manager	Chiu, Em Y.C. (2022.01.01 incoming)	/	/	-	-

Note 1: Major shareholders who hold over 1% of the total number of issued shares of the Bank.

2: "*" denotes Class A Preferred Shares in this Table.

3: In columns of this table "-" is used to indicate no increase or decrease.

4: The incoming date refers to the date that person is listed in the table for the first time.

B. Reporting on transfers of shareholdings and changes in pledges of such in accordance with Article 11 of the Regulations Governing a Same Person or Same Related Person Holding the Issued Shares with Voting Rights Over a Particular Ratio of a Bank

Unit: Shares

Title	Name	2021		As of Apr. 19, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Same Person or Same Related Person	Lo, Kenneth C.M.	-	-	-	-
Same Person or Same Related Person	Lo, Tina Y.	-	-	-	-
Same Person or Same Related Person	Chen, Yu-Shuan	-	-	-	-
Same Person or Same Related Person	Chen, Yu-Da	-	-	-	-
Same Person or Same Related Person	Ming Shan Investment Co., Ltd.(Note1)	-	-	-	-
Same Person or Same Related Person	Yi Chang Investment Co., Ltd.(Note1)	-	-	-	-
Same Person or Same Related Person	Tai Ya Investment Co., Ltd.(Note1)	-	-	-	-
Same Person or Same Related Person	Tai Hsuan Investment Co., Ltd.(Note1)	-	-	-	-

Note 1: Major shareholders who hold over 1% of the total number of issued shares of the Bank.

2: Class A Preferred Shares issued by the Bank do not come with voting rights, and therefore the numbers of shareholding refer to common shares.

3: In columns of this table "-" is used to indicate no increase or decrease.

(2) Shares Transfer Information: None.

(3) Shares Pledge Information: None.

9. Relationship among the Top Ten Shareholders

As of April 19, 2022
Unit: shares/%

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 2)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ming Shan Investment Co., Ltd. Rep. : Chen, Shih-Tze	386,271,554	12.74%	-	-	-	-	Yi Chang Investment Co., Ltd. ∨ Tai Hsuan Investment Co., Ltd. ∨ Tai Ya Investment Co., Ltd.	The representative is the same person	
Yi Chang Investment Co., Ltd. Rep. : Chen, Shih-Tze	289,007,997	9.53%	-	-	-	-	Ming Shan Investment Co., Ltd. ∨ Tai Hsuan Investment Co., Ltd. ∨ Tai Ya Investment Co., Ltd.		
Tai Hsuan Investment Co., Ltd. Rep. : Chen, Shih-Tze	287,135,501	9.47%	-	-	-	-	Ming Shan Investment Co., Ltd. ∨ Yi Chang Investment Co., Ltd. ∨ Tai Ya Investment Co., Ltd.		
Tai Ya Investment Co., Ltd. Rep. : Chen, Shih-Tze	90,627,346	2.99%	-	-	-	-	Ming Shan Investment Co., Ltd. ∨ Yi Chang Investment Co., Ltd. ∨ Tai Hsuan Investment Co., Ltd.		
Heng Tong Machinery Co., Ltd. Rep. : Tseng, Tsai-Bau	148,374,456	4.89%	-	-	-	-	-	-	
Chen Yu Development Co. Ltd. Rep. : Liao, Chi-Cheng	110,308,794	3.64%	-	-	-	-	-	-	
China Steel Corporation Rep. : Wong, Chao-Tung	103,847,695	3.42%	-	-	-	-	-	-	
Chailease Finance Co., Ltd. Rep. : Chen, Albert F.L.	87,750,047	2.89%	-	-	-	-	-	-	
San Ho Plastics Fabrication Co., Ltd. Rep.: Cheng, Chung-Ming	54,852,278	1.81%	-	-	-	-	Cheng, Chung-Ming	The representative and the top 10th shareholder is the same person	
Cheng, Chung-Ming	51,923,847	1.71%	-	-	-	-	San Ho Plastics Fabrication Co., Ltd.	Cheng, Chung-Ming is the representative of the top 9th shareholder	

Note 1: Numbers and ratios of shareholdings refer to both common and preferred shares.

Note 2: The relationship in between is disclosed in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks.

10. Ownership of Shares in Affiliated Enterprises

As of Dec. 31, 2021
Unit: shares/ %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors and Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
IBT Holdings Corp.	10,869,286	100.00	-	-	10,869,286	100.00
IBT Management Corporation	13,400,000	100.00	-	-	13,400,000	100.00
IBT Leasing Co., Ltd.	288,087,000	100.00	-	-	288,087,000	100.00
China Bills Finance Corporation	380,981,600	28.37	1,549,600	0.12	382,531,200	28.48
Taiwan Mobile Payment Co., Ltd.	300,000	0.50	-	-	300,000	0.50
Beijing Sunshine Consumer Finance Co., Ltd.	200,000,000	20.00	-	-	200,000,000	20.00
Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) (dissolved and liquidated in November 2016, and still recognized using the equity method)	318,280,588	99.75	-	-	318,280,588	99.75

Note: Affiliated enterprises are referred to the investments made in accordance with Article 74 of the Banking Act of the Republic of China.

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital

A. Issue Shares

As of April 19,2022
Unit: NT\$; shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Sources of Capital	Remark	
		Shares	Amount (NT\$)	Shares	Amount (NT\$)		Capital Increased by Assets Other than Cash	Other
Aug. 1999	10	2,300,000,000	23,000,000,000	2,300,000,000	23,000,000,000	Initial capital	-	1999/5/14 (1999) Tai-Cai-Zheng (1) No. 16978
Aug. 2000	10	35,234,043	352,340,430	35,234,043	352,340,430	Capital increase from retained earnings	-	2000/7/12 (2000) Tai-Cai-Zheng (1) No. 60116
Aug. 2001	10	30,358,043	303,580,430	30,358,043	303,580,430	Capital increase from retained earnings	-	2001/7/12 (2001) Tai-Cai-Zheng (1) No. 145190
July 2002	10	24,914,215	249,142,150	24,914,215	249,142,150	Capital increase from retained earnings	-	2002/7/9 Tai-Cai- Zheng-Yi-Zi No. 0910137604
July 2004	10	200,000,000	2,000,000,000			Appropriation for employee share subscription warrants	-	2004/7/16 Jing- Shou-Shang-Zi No. 0930129910
May 2017	7~9.3			22,500,000	225,000,000	Capital increase by cash	-	2017/5/4 Tai- Zheng-Shang- Yi-Zi No. 10600075162 2017/7/4 Jing- Shou-Shang-Zi No. 10601090090
Nov. 2018	10	909,493,699	9,094,936,990	300,000,000	3,000,000,000	Issuance of preferred stock A	-	2018/10/3 Jin- Guan-Zheng-Fa No.1070335566 2018/12/21 Jing- Shou-Shang-Zi No.10701154030
Oct. 2020	6.35			320,000,000	3,200,000,000	Capital increase by cash	-	2020/8/26 Jin- Guan-Zheng-Fa No.1090353284 2020/11/16 Jing- Shou-Shang-Zi No.10901206490
Mar. 2022	10					Preferred shares converted into common shares 354,000 shares		2022/4/13 Jing-Shou- Shang-Zi No.11101057690

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
Apr. 2022	10					Preferred shares converted into common shares 632,000 shares		Application for Ministry of Economic Affairs approval due to be filed after the date of publication of this annual report
Total		3,500,000,000	35,000,000,000	Common Shares : 2,733,992,301 Preferred Shares : 299,014,000	Common Shares : 27,339,923,010 Preferred Shares : 2,990,140,000		-	

B. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	2,733,992,301	466,993,699	3,500,000,000	Listed Shares
Preferred Shares	299,014,000			

Note: Treasury stock is included and please refer to (9) Buyback of Treasury Stock for more information.

(2) Status of Shareholders

A. Common Shares

As of April 19, 2022
Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individuals	Treasury Stock	Total
Number of Shareholders	1	5	119	129	39,446	1	39,701
Shareholding (shares)	100	9,012,752	1,939,338,706	148,238,574	634,880,169	2,522,000	2,733,992,301
Percentage	0.00%	0.33%	70.94%	5.42%	23.22%	0.09%	100.00%

B. Preferred Shares

As of April 19, 2022
Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individuals	Treasury Stock	Total
Number of Shareholders	0	1	42	0	4,276	0	4,319
Shareholding (shares)	0	4,855,000	225,745,265	0	68,413,735	0	299,014,000
Percentage	0.00%	1.62%	75.50%	0.00%	22.88%	0.00%	100.00%

(3) Shareholding Distribution Status**A. Common Shares**As of April 19, 2022
Par value per share: NT\$10

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	4,999	1,437,716	0.05%
1,000 ~ 5,000	20,697	48,959,890	1.79%
5,001 ~ 10,000	5,041	43,130,034	1.58%
10,001 ~ 15,000	3,943	45,088,060	1.65%
15,001 ~ 20,000	1,384	26,468,102	0.97%
20,001 ~ 30,000	1,081	28,173,212	1.03%
30,001 ~ 40,000	500	18,187,997	0.67%
40,001 ~ 50,000	452	21,536,269	0.79%
50,001 ~ 100,000	767	57,983,811	2.12%
100,001 ~ 200,000	385	54,936,161	2.01%
200,001 ~ 400,000	208	58,978,903	2.15%
400,001 ~ 600,000	83	41,211,904	1.51%
600,001 ~ 800,000	21	14,699,126	0.54%
800,001 ~ 1,000,000	13	11,931,190	0.44%
1,000,001 or over	127	2,261,269,926	82.70%
Total	39,701	2,733,006,301	100.00%

B. Preferred SharesAs of April 19, 2022
Par value per share: NT\$10

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	711	224,215	0.07%
1,000 ~ 5,000	2,487	8,760,581	2.93%
5,001 ~ 10,000	372	3,042,457	1.02%
10,001 ~ 15,000	136	1,749,975	0.59%
15,001 ~ 20,000	104	1,975,251	0.66%
20,001 ~ 30,000	105	2,768,378	0.93%
30,001 ~ 40,000	63	2,321,394	0.78%
40,001 ~ 50,000	127	5,904,778	1.97%
50,001 ~ 100,000	76	5,661,197	1.89%
100,001 ~ 200,000	66	9,492,530	3.17%
200,001 ~ 400,000	33	9,227,813	3.09%
400,001 ~ 600,000	7	3,272,523	1.09%
600,001 ~ 800,000	2	1,394,000	0.47%
800,001 ~ 1,000,000	3	2,827,000	0.95%
1,000,001 or over	27	240,391,908	80.39%
Total	4,319	299,014,000	100.00%

(4) List of Major Shareholders

As of April 19, 2022

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Ming Shan Investment Co., Ltd.	386,271,554	12.74%
Yi Chang Investment Co., Ltd.	289,007,997	9.53%
Tai Hsuan Investment Co., Ltd.	287,135,501	9.47%
Heng Tong Machinery Co., Ltd.	148,374,456	4.89%
Chen Yu Development Co. Limited	110,308,794	3.64%
China Steel Corporation	103,847,695	3.42%
Tai Ya Investment Co., Ltd	90,627,346	2.99%
Chailease Finance Co., Ltd.	87,750,047	2.89%
San Ho Plastics Fabrication Co., Ltd.	54,852,278	1.81%
Cheng, Chung-Ming	51,923,847	1.71%
Mei Ta Industrial Co., Ltd.	50,000,000	1.65%
The Great Taipei Gas Corp.	48,595,777	1.60%
TECO Electric & Machinery Co., Ltd.	47,838,847	1.58%
Grand Pacific Investment & Development Co., Ltd.	39,000,847	1.29%
Hung Sheng Construction Co., Ltd.	36,636,000	1.21%
Taiwan Cement Corp.	35,764,625	1.18%
Chi Yi Investment Co., Ltd	33,032,000	1.09%

Note: Numbers and ratios of shareholdings refer to both common and preferred shares.

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

Unit: NT\$

Items	2022/4/19	2021	2020
Market Price per Share			
Highest Market Price	11.30	8.68	7.84
Lowest Market Price	7.96	6.52	5.36
Average Market Price	9.70	7.30	6.96
Net Worth per Share			
Before Distribution	11.87 (Note 2)	11.99	11.75
After Distribution	Not applicable	Note 1	11.52
Earnings per Share			
Weighted Average Shares (thousand shares)	3,032,102 thousand (Note 2)	3,031,051 thousand	2,774,683 thousand
Diluted Earnings Per Share	0.19 (Note 2)	0.57	0.37
Dividends per Share			
Cash Dividends	Not applicable	Note 1	0.20
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 1)	-	12.81	18.81
Price / Dividend Ratio (Note 2)	-	Note 1	34.80
Cash Dividend Yield Rate (Note 3)	-	Note 1	2.87%

Note 1: Not for disclosure as the amount has not yet been approved by the 2022 general shareholder's meeting.

Note 2: The figures are calculated based on financial statements dated March 31, 2022 but not yet audited by CPA.

(6) Dividend Policy and Implementation Status**A. Dividend Policy**

The Bank's dividend policy is spelled out in Article 32-1 of the Articles of Incorporation:

The distribution of earnings and dividend policy were amended and approved by the 2020 General Shareholders' Meeting on June 19, 2020.

If there is a profit after its annual closing of books, the Bank shall first set aside funds for taxes and offset the accumulated losses from previous years before appropriating 30% of the profit toward its legal reserve. No appropriation shall be required if the Bank's legal reserve already equals the total amount of its paid-in capital. After appropriation or reverse of any special reserve and distribution of cash dividends for preferred shares, if a profit remains, the outstanding balance together with undistributed earnings from previous years shall be used as the basis for the Board of Directors to propose distribution and seek a resolution of a shareholders' meeting thereof.

The distribution of common stock dividend shall not be lower than 20% of distributable earnings after deducting distributable but not yet distributed preferred stock dividends for the current year. In particular, the cash dividend payout shall account for not less than 20% of the total common stock dividend payout for any given year. Separately, before the legal reserve equals the total amount of capital stock, the maximum cash distribution of earnings shall not exceed 15% of the total amount of paid-in capital.

With regard to the foregoing distribution of common stock dividends, the Bank adopts a policy of stability and balance that takes into account capital budget planning, capital needs for business operations, and commitment to a sound financial structure. The aforesaid method of dividend distribution is intended only as a principle-based guideline; the Bank may consider actual needs and, via the Board of Directors, propose an amendment and seek shareholder approval in the form of a resolution adopted by a shareholders' meeting.

B. Proposed Distribution of Dividend

It is proposed at the 2022 Shareholders' Meeting that shareholders will be entitled to a cash dividend of NT\$0.425 per preferred share A, totaling NT\$127,500,000 and cash dividend of NT\$0.30 per common share, totaling NT\$819,145,290.

(7) Impact of the stock dividend distribution proposed at this shareholders' meeting upon the Bank's business performance and earnings per share: Not applicable.

(8) Compensation of Employees and Directors

A. Information Relating to Compensation of Employees and Directors in the Articles of Incorporation

Article 22

If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations, but independent directors shall be excluded from such distribution. If the Bank has accumulated losses, however, the aforesaid profit shall be used to offset accumulated losses first.

Article 32

If the Bank records a profit in a year, the Bank shall set aside 1-2.5% of the profit for employee remunerations. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.

Distribution of employee remunerations in stock or cash shall require a resolution adopted through a majority vote of the directors present at a meeting attended by not less than two-thirds of all directors, which in turn shall be submitted to a shareholders' meeting. The employees entitled to the aforesaid remunerations may include those employed by the Bank's affiliated companies who meet specific requirements.

B. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The Bank takes a given year's pretax profit prior to distribution of employee compensation and remuneration of directors as the basis for the said distribution at rates prescribed in the Articles of Incorporation. After the

Bank's publication of financial statements, changes in accounting estimates shall be made and an adjusting entry added for the following year should any discrepancy arise from the amount of distribution decided by the Board of Directors.

C. Distribution of Compensation of Employees and Directors for 2021 Approved in the Board of Directors Meeting

- (1) In 2022, the Board of Directors approved cash dividends of NT\$26,169,746 in employee remunerations and NT\$52,339,492 in director remunerations, showing no discrepancy with those specified in the Bank's financial statements for 2021.
- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

D. On March 22, 2021, the Board of Directors approved cash dividends of NT\$16,055,726 in employee remunerations and NT\$32,111,453 in director remunerations for 2020, showing no discrepancy with those specified in the Bank's financial statements for 2020.

(9) Buyback of Treasury Stock:

The Bank's Share Repurchase and its implementation (already completed)

As of April 19, 2022

Batch of Repurchase	First Batch
Purpose of repurchase	Transfer to employees
Period for the repurchase	March 23-April 28, 2020
Price range for the repurchase	NT\$5.00-7.00 per share
Types and number of shares actually repurchased	5,737,000 common shares
Total monetary amount of shares actually repurchased	NT\$38,304,469 (transaction fees included)
Ratio of number of shares already repurchased against the planned number of shares to be repurchased (%)	16.39%
Capital adequacy ratio before the repurchase	Record date: 2019.12.31 Ratio: 14.00%
Capital adequacy ratio after the repurchase	Record date: 2020.6.30 Ratio: 12.32%
Number of shares retired and transferred	3,215,000 shares transferred
Accumulated number of own shares held	2,522,000 shares
Ratio of accumulated number of own shares held during the repurchase period against the total number of the Bank's issued shares (%)	0.09%
Progress in implementing transfer of the repurchased shares to employees	Transferred 3,215,000 shares
Instances where the Bank has failed to complete transfer within 3 years after repurchase and thereby caused the FSC to adopt restrictions	None (Less than 3 years after the repurchase)

2. Issuance of Bank Debenture

As of April 19, 2022

Bank Debenture Type	2014 Subordinated Bank Debentures, Phase IV	2015 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2015/1/16 Jin-Guan-Yin-Piao-Zi No. 10400001080
Date of issuance	2014/11/5	2015/12/29
Denomination	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-
Currency	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination
Total amount	NT\$1.5 billion	NT\$1 billion
Interest rate	2.20% per annum	1.85% per annum
Tenor	7.5 years maturity date: 2022/5/5	7 years maturity date: 2022/12/29
Priority	Subordinated	Subordinated
Guarantor	-	-
Consignee	-	-
Underwriter	Yuanta-Polaris Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu
Certifying institution	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$1.5 billion	NT\$1 billion
Paid-in capital of the previous year	NT\$23,905,063 thousand	NT\$23,905,063 thousand
Shareholders' equity of the previous year	NT\$26,265,527 thousand	NT\$27,725,528 thousand
Performance	-	-
Terms for redemption or early repayment	None	None
Terms for conversion and exchange	None	None
Restrictive clause	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	57.03%	53.92%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	Agency: Taiwan Ratings Date: 2014/10/29 Rating: twBBB	-

Bank Debenture Type	2016 Subordinated Bank Debentures, Phase I, Batch A	2016 Subordinated Bank Debentures, Phase I, Batch B
Date/reference number of the competent authority's approval letter	2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270	2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270
Date of issuance	2016/6/29	2016/6/29
Denomination	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-
Currency	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination
Total amount	NT\$1.5 billion	NT\$1.5 billion
Interest rate	1.70% per annum	1.80% per annum
Tenor	7 years maturity date: 2023/6/29	8 years maturity date: 2024/6/29
Priority	Subordinated	Subordinated
Guarantor	-	-
Consignee	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu
Certifying institution	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$1.5 billion	NT\$1.5 billion
Paid-in capital of the previous year	NT\$23,905,063 thousand	NT\$23,905,063 thousand
Shareholders' equity of the previous year	NT\$28,482,879 thousand	NT\$28,482,879 thousand
Performance	-	-
Terms for redemption or early repayment	None	None
Terms for conversion and exchange	None	None
Restrictive clause	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	63.02%	63.02%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-

Bank Debenture Type	2017 Subordinated Bank Debentures, Phase I	2017 Subordinated Bank Debentures, Phase II, Batch A
Date/reference number of the competent authority's approval letter	2016/9/8 Jin-Guan-Yin-Piao-Zi No. 10500215650	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320
Date of issuance	2017/9/5	2017/12/27
Denomination	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-
Currency	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination
Total amount	NT\$2 billion	NT\$750 million
Interest rate	1.97% per annum	4.00% per annum
Tenor	10 years maturity date: 2027/9/5	No maturity date (Note)
Priority	Subordinated	Subordinated
Guarantor	-	-
Consignee	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu
Certifying institution	-	-
Repayment method	Repayment in lump sum upon maturity	(Note)
Outstanding balance	NT\$2 billion	NT\$750 million
Paid-in capital of the previous year	NT\$23,905,063 thousand	NT\$23,905,063 thousand
Shareholders' equity of the previous year	NT\$28,478,741 thousand	NT\$28,478,741 thousand
Performance	-	-
Terms for redemption or early repayment	None	None
Terms for conversion and exchange	None	None
Restrictive clause	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	65.49%	71.63%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5.3 years after their issuance (after 2023/4/15) if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

Bank Debenture Type	2017 Subordinated Bank Debentures, Phase II, Batch B	2018 Subordinated Bank Debentures, Phase I, Batch A
Date/reference number of the competent authority's approval letter	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320
Date of issuance	2017/12/27	2018.6.29
Denomination	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-
Currency	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination
Total amount	NT\$1 billion	NT\$700 million
Interest rate	1.82% per annum	4.00% per annum
Tenor	10 years maturity date: 2027/12/27	Maturity date: none (Note)
Priority	Subordinated	Subordinated
Guarantor	-	-
Consignee	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu
Certifying institution	-	-
Repayment method	Repayment in lump sum upon maturity	(Note)
Outstanding balance	NT\$1 billion	NT\$700 million
Paid-in capital of the previous year	NT\$23,905,063 thousand	NT\$24,130,063 thousand
Shareholders' equity of the previous year	NT\$28,478,741 thousand	NT\$28,558,691 thousand
Performance	-	-
Terms for redemption or early repayment	None	None
Terms for conversion and exchange	None	None
Restrictive clause	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	71.63%	62.50%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5.3 years after their issuance (after 2023/10/16) if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

Bank Debenture Type	2018 Subordinated Bank Debentures, Phase I, Batch B	2019 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320 and 2018/6/14 Jin-Guan-Yin-Piao-Zi No. 10702116800	2018/6/14 Jin-Guan-Yin-Piao-Zi No. 10702116800
Date of issuance	2018.6.29	2019.6.6
Denomination	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-
Currency	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination
Total amount	NT\$1.05 billion	NT\$2.5 billion
Interest rate	1.75% per annum	1.5% per annum
Tenor	10 years Maturity date: 2028/6/29	7 years Maturity date: 2026/6/6 (Note)
Priority	Subordinated	Subordinated
Guarantor	-	-
Consignee	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-
CPA	Yang, Chen-Hsiu	Chen, Yin-Chou
Certifying institution	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$1.05 billion	NT\$2.5 billion
Paid-in capital of the previous year	NT\$24,130,063 thousand	NT\$27,130,063 thousand
Shareholders' equity of the previous year	NT\$28,558,691 thousand	NT\$31,558,691 thousand
Performance	-	-
Terms for redemption or early repayment	None	None
Terms for conversion and exchange	None	None
Restrictive clause	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	62.50%	59.25%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5 years and 1 month after their issuance if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

Bank Debenture Type	2021 Subordinated Bank Debentures, Phase I	2021 Unsecured Senior Bank Debentures, Phase II
Date/reference number of the competent authority's approval letter	2021/2/22 Jin-Guan-Yin-Piao-Zi No. 1100203414	2021/2/22 Jin-Guan-Yin-Piao-Zi No. 1100203414
Date of issuance	2021.6.25	2021.12.22
Denomination	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-
Currency	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination
Total amount	NT\$1 billion	NT\$0.5 billion
Interest rate	0.9% per annum	0.65% per annum
Tenor	7 years Maturity date: 2028/6/25 (Note)	3 years Maturity date: 2024/12/22
Priority	Subordinated	Senior
Guarantor	-	-
Consignee	-	-
Underwriter	KGI Securities Co., Ltd. as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-
CPA	Chen, Yin-Chou	Chen, Yin-Chou
Certifying institution	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$1 billion	NT\$0.5 billion
Paid-in capital of the previous year	NT\$30,330,063 thousand	NT\$30,330,063 thousand
Shareholders' equity of the previous year	NT\$32,166,500 thousand	NT\$34,882,941 thousand
Performance	-	-
Terms for redemption or early repayment	None	None
Terms for conversion and exchange	None	None
Restrictive clause	Subordinated	Senior
Funds utilization plan	Medium- and long-term lending	Lending for green investment
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	45.08%	43.00%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	None
Credit rating agency, rating date, and rating assigned	-	-

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5 years and 1 month after their issuance if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

3. Preferred Shares

Issuance (launch) date		November 29, 2018
Item		
Face value	NT\$10	
Issuance price	NT\$10 per share	
Number of shares	300,000,000 shares	
Total issuance amount	NT\$3,000,000,000	
Rights and obligations	Distribution of dividends and bonuses	<p>These preferred shares offer dividends of 4.25% per annum (5-year IRS 0.94375%+3.30625% as of the record date—October 29, 2018) calculated pursuant to the issuance price per share. The 5-year IRS rate will be reset on the day after 5 years and 6 months of the issuance date and the day after each subsequent 5-year-and-6-month period thereafter, and the record date thereof shall be the second business day for financial institutions in Taipei prior to the aforesaid day of rate reset. The 5-year IRS rate shall be the arithmetic mean of 5-year IRS quotations as published by Reuters, PYTDWFIX, and COSMOS3 at 11:00 a.m. of the day of the reset record date (must be a business day for Taipei's financial institutions). If the above quotations cannot be obtained on the reset record date, the Bank shall decide on such in good faith while taking into account reasonable market rates.</p> <p>If the Bank's annual accounting shows any profit, after having paid all taxes and dues and covering the losses accumulated in previous years, it shall set aside a legal reserve as well as appropriate or reverse a special reserve in accordance with the laws before giving priority to using the balance for the year's dividend distribution for these preferred shares. The Bank has sole discretion on dividend distribution for these preferred shares. When no or not sufficient profit is recorded for distributing dividends for preferred shares in a given year, or if preferred share dividend declaration would render the Bank's capital adequacy ratio below the minimum level required by law or the competent authority, or due to any other necessary considerations, the Bank may decide not to declare preferred stock dividends, to which holders of these preferred shares shall file no opposition. These preferred shares are not cumulative in nature, that is, undeclared or underdeclared dividends are not to be paid in subsequent years with profits recorded. Dividends for these preferred shares are declared in cash once per year. After the Bank's financial statements secure approval at its annual shareholders' meeting, the Board of Directors shall set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual days after issuance in the year in question. Dividends distributed shall be specified in the dividend certificate.</p> <p>Except for receipt of dividends at the aforementioned dividend rate, holders of these preferred shares cannot participate in distribution of cash or stock dividends to holders of common shares from profits or additional paid-in capital.</p>
	Priority of claims in liquidation	<p>When it comes to priority of claims in liquidation, holders of these preferred shares have the same order of priority as holders of common shares when, in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks, the competent authority assigns officials to take receivership over the Bank, order the Bank to suspend and wind up business, or liquidate the Bank. In the event of the Bank's subsequent distribution of residue property, holders of these preferred shares shall be superior to holders of common shares—the same priority of claims for holders of all other preferred shares issued by the Bank—but inferior to holders of Tier 2 capital, depositors, and other general creditors. Claims by holders of these preferred shares shall be capped at the total issuance amount.</p>
	Exercise of voting rights	<p>Holders of these preferred shares have no voting rights and cannot elect directors at the general meetings of shareholders. This restriction does not apply to meetings of holders of preferred shares and general meetings of shareholders that address matters with regard to the rights and obligations of holders of preferred shares, occasions where holders of preferred shares have the rights to vote and be elected directors.</p>
	Others	<p>When the Bank conducts rights issues for cash, holders of these preferred shares have the same subscription rights as holders of common shares.</p>

Item		Issuance (launch) date	November 29, 2018
Outstanding preferred shares	Amount redeemed or converted		NT\$9,860,000
	Balance of shares not yet redeemed or converted		NT\$2,990,140,000
	Terms of redemption or conversion		<p>1. These shares of Preferred Stock A have no maturity date but the Bank may, upon approval of the competent authority, redeem all or part of these preferred shares at the issuance price on the day after 5 years and 6 months of the issuance date. Holders of any unredeemed preferred shares shall thereafter be entitled to the same rights and obligations listed above. If the General Meeting of Shareholders resolves on paying dividends for a given year when the Bank is redeeming these preferred shares, dividend distribution thereof shall be calculated pursuant to actual days in the year up to the date of redemption.</p> <p>2. These preferred shares shall not be convertible within 1 year of the issuance date (inclusive). From the day after the first anniversary of issuance, holders of these preferred shares may apply to convert all or part of their holdings into common shares at a conversion ratio of 1:1, after which the rights and obligations entailed by common shares shall apply. Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.</p>
Market price per share	2019	High	NT\$10.65
		Low	NT\$10.10
		Average	NT\$10.46
	2020	High	NT\$10.65
		Low	NT\$8.82
		Average	NT\$10.24
	2021	High	NT\$10.25
		Low	NT\$9.89
		Average	NT\$10.09
	Year to date as of April 19, 2022	High	NT\$10.85
		Low	NT\$10.10
		Average	NT\$10.45
Other rights	Amount converted or subscribed to as of the date of publication of this annual report		NT\$9,860,000
	Issuance and conversion/subscription rules		<p>These preferred shares shall not be convertible within 1 year of the issuance date (inclusive). From the day after the first anniversary of issuance, holders of these preferred shares may apply to convert all or part of their holdings into common shares at a conversion ratio of 1:1, after which the rights and obligations entailed by common shares shall apply. Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.</p>

Item	Issuance (launch) date November 29, 2018
Impact of issuance on equity of shareholders of preferred shares and possible dilution of equity	<p>The Bank's capital increase via this issuance of Preferred Stock A comes with no maturity date. Investors are not given a put option but may convert their holdings into common shares at a 1:1 conversion ratio 1 year after issuance. As holders of these preferred shares are expected to exercise conversion at different points of time, any dilution of equity will be deferred and an immediate impact on the Bank's managerial control and earnings per share is deemed unlikely.</p> <p>If all the holders of these preferred shares choose to convert their holdings into common shares, the maximum equity dilution ratio will be:</p> $= \frac{\text{Number of new shares issued for this capital increase}}{\text{Number of shares outstanding} + \text{Number of new shares issued for this capital increase}}$ $= \frac{300,000,000 \text{ shares}}{2,413,006,000 \text{ shares} + 300,000,000 \text{ shares}}$ $= 11.06\%$ <p>As shown above, if all the holders of these preferred shares choose to convert their holdings into common shares, the maximum equity dilution ratio will be 11.06%, a reasonably acceptable level. Moreover, no dilution will be incurred until holders of these preferred shares start to apply for conversion. Any dilution of equity is thus expected to be deferred and only a limited impact on the equity of existing shareholders is to be expected over the long term.</p>
Impact on equity of existing shareholders	<p>Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.</p> <p>In terms of the impact on equity of existing shareholders, issuance of these preferred shares necessitates distribution of dividends among their holders prior to conversion, thereby reducing the earnings available for distribution among holders of common shares. Upon conversion of these shares of Preferred Stock A into common shares, however, dividend distribution for preferred shares will decrease as well. While holders of these preferred shares are entitled to convert their holdings into common shares, their conversion tends to occur at different points of time and thus the dilution of earnings per share will not be immediate. Moreover, this capital increase has ushered in regulatory capital, which not only gives an immediate boost to the Bank's capital adequacy ratio but also can be used in extending loans. This will help the Bank enhance its earnings capacity over the medium-to-long term and thus have a positive effect on equity of existing shareholders.</p>
Impact of redeeming preferred shares on the ratio of regulatory capital to risk-weighted assets	Not applicable

Note: November 29, 2018 was the record date (issuance date) for this capital increase via issuance of preferred stock A, with the shares thereof becoming available for trading on the Taiwan Stock Exchange on January 9, 2019.

4. Global Depository Receipts \ Employee Stock Options \ New Restricted Employee Shares and Information of Other Financial Institutions Acquired or Transferred: None.

5. Financing Plans and Implementation

A. Plan Content:

Any uncompleted public issue or private placement of equities or bank debentures or any such issue and placement that was completed in the most recent three years but has not yet fully yielded the intended benefits: None.

B. Implementation Status: None.

V. Operational Highlights

1. Business Activities

The Bank mainly operates the following businesses:

- Acceptance of various types of deposits.
- Issuance of financial bonds.
- Handling of loans, discounts, and acceptances.
- Handling of domestic and foreign exchange services.
- Handling of domestic and foreign guarantee services.
- Issuance of domestic and foreign L/Cs.
- Agency collection and payment services.
- Investment in and underwriting of securities.
- Proprietary trading of bonds.
- Factoring services.
- Provision of financial consulting connected with financing and non-financing services.
- Wealth management services.
- Acting as an agent for personal insurance and property insurance.
- Handling of debit card services.
- Handling of guarantee services connected with export and import foreign exchange, outward and inward remittances, foreign currency deposits and loans, and foreign currency guaranteed payments.
- Handling of services permitted under the Trust Enterprise Act.
- Handling of financial derivatives services.
- Handling of other services approved by the competent authority.

Key Business Area	Major Business Activity
Corporate Banking Services	Provision of corporate financial products and services: lending and deposit, corporate foreign exchange and international finance, project, corporate financial advisory services, and corporate cash management and e-Banking services, etc.
Retail Banking Services	Provision of personal financial products and services: lending and deposit, digital retail banking services, payment, insurance, wealth management, etc.
Trust Business	Trust, securitization, trust asset management, etc.
Investment Business	Financial products and securities trading, and direct investment.
Investment under Equity Method	Please refer to this annual report "Review of Financial Conditions, Operation Results, and Risk Management" for investment details.

Weight of Business Profits

Unit: NT\$ thousands

Item	Year	2021		2020	
		Amount	%	Amount	%
Net interest income		2,210,295	40	1,914,583	41
Net fee income		804,356	15	583,947	13
Gains or losses on financial assets (liabilities) at fair value through profit or loss		135,585	2	(840,982)	(18)
Gains from sale of fair value through other comprehensive income financial assets		267,977	5	257,439	6
Net gain or loss on exchange		598,310	11	1,642,073	35
Impairment loss on assets		(4,851)	-	(3,704)	-
Share of profit or loss of subsidiaries and affiliated businesses accounted for using equity method		1,415,994	26	990,158	21
Net profit apart from interest		83,634	1	107,962	2
Net income		5,511,300	100	4,651,476	100

Weight of Major Business Operations

Unit: NT\$ thousands

Asset	2021.12.31	Percentage (%)	Percentage Increase (Decrease) from the previous year	2020.12.31	Percentage (%)
Loans- Corporate Banking	131,921,275	41.87	(4.68)	138,400,828	42.09
Loans- Retail Banking	27,124,718	8.61	(2.07)	27,699,465	8.42
Investment	118,571,863	37.63	(2.36)	121,440,257	36.93
Investment under Equity Method	17,334,821	5.50	4.79	16,542,108	5.03

Unit: NT\$ thousands

Revenue	2021	Percentage (%)	Percentage Increase (Decrease) from the previous year	2020	Percentage (%)
Corporate Banking Services	2,604,276	47.25	2.12	2,550,201	54.83
Investment	1,288,828	23.39	32.51	972,631	20.91
Investment under Equity Method	1,415,994	25.69	43.01	990,158	21.29
Others	202,202	3.67	46.01	138,486	2.98
Net Income	5,511,300	100.00	18.48	4,651,476	100.00

Note: the numbers in 2020 is re-categorized due to the change of high-quality liquid assets (HQLA) categories in 2021.

Volume of Foreign Exchange:

Unit: US\$ thousands

Item	2021	Percentage (%)	Percentage Increase (Decrease) from the previous year	2020	Percentage (%)
Import (Issuance of L/C;DA;DP)	359,595	1.35	184.91	126,212	0.69
Export (Negotiation;Collection;DA;DP)	83,439	0.31	94.26	42,953	0.24
Remittance (Outward;Inward)	26,244,889	98.34	45.37	18,054,029	99.07
Total	26,687,923	100	46.45	18,223,194	100

Trust Asset:

Unit: NT\$ thousands

Item	2021.12.31	Percentage (%)	Percentage Increase (Decrease) from the previous year	2020.12.31	Percentage (%)
Monetary	8,926,186	73.01	9.09	8,182,562	57.39
Real Estate	3,299,237	26.99	(45.69)	6,075,235	42.61
Total	12,225,423	100	(14.25)	14,257,797	100

Note: The item is categorized under Trust Enterprise Act, Article 16.

(1) Business Review

The Bank's domestic business locations included its Business Department Headquarters, Zhongxiao Dunhua Branch, Taoyuan Branch, Hsinchu Branch, Taichung Branch, and Kaohsiung Branch. In addition, the competent authority approved the establishment of regional service units in Taipei, Taoyuan, Taichung, Tainan, and Kaohsiung for corporate banking and business banking affairs; apart from promoting this Bank's financial products, these service units also provide all-round financial services to clients throughout northern, central, and southern Taiwan. Our first overseas branch (Hong Kong Branch) opened in April 2009; this branch has since extended our financial products and services platform to Hong Kong and the Greater China area, thereby serving local clients and Taiwanese-invested enterprises from a close distance and promoting win-win outcomes through long-term cooperation characterized by mutual trust and reciprocity.

1) Credit Extension

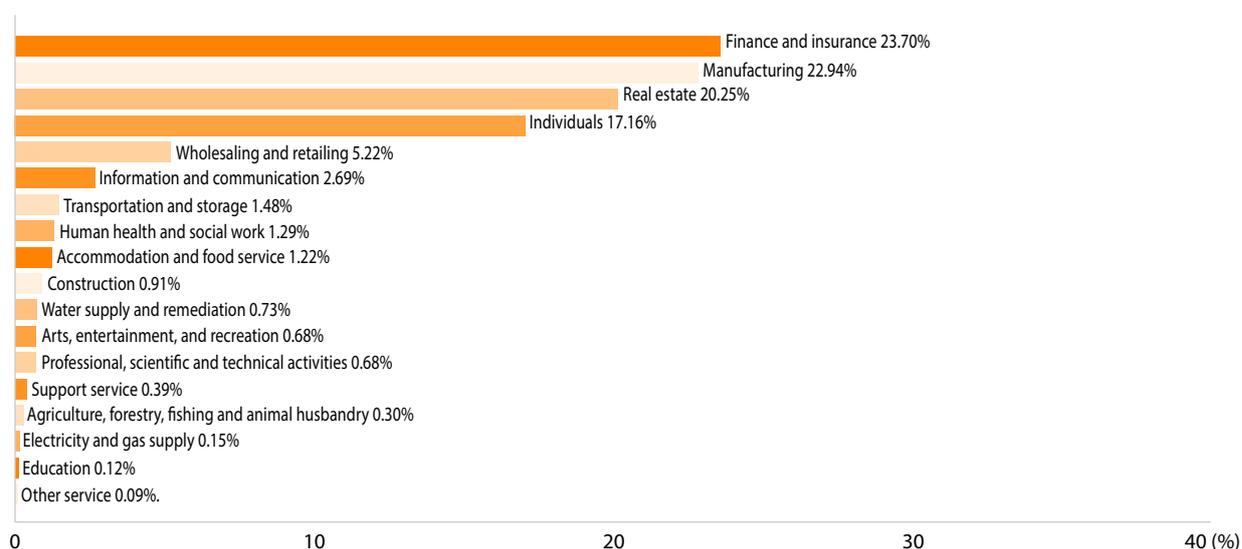
In 2021, the Bank made aggressive inroads into the personal banking sector while continuing to actively cultivate clients in Taiwan and abroad for its corporate banking services. In order to cater to different customer sectors, the Bank developed a wide range of loan products that truly meet customer needs. To keep up growth momentum, the Bank placed emphasis on further digitizing marketing endeavors and catering to funding needs of existing customers. All this bore fruit in the form of a 42% year-over-year increase in newly extended loans. In line with government policy, the Bank shouldered its social responsibility by offering lenient flexibilities to borrowers who had been furloughed or suffered otherwise due to the Covid-19 pandemic.

In 2021, given an external environment marked by global uncertainty, the Bank would rather adopt a prudent approach toward expanding its corporate banking business. Rather than seeking a major increase in lending, the objective was to make the best of the limited interest spread and grow fee income while keeping credit risk under control.

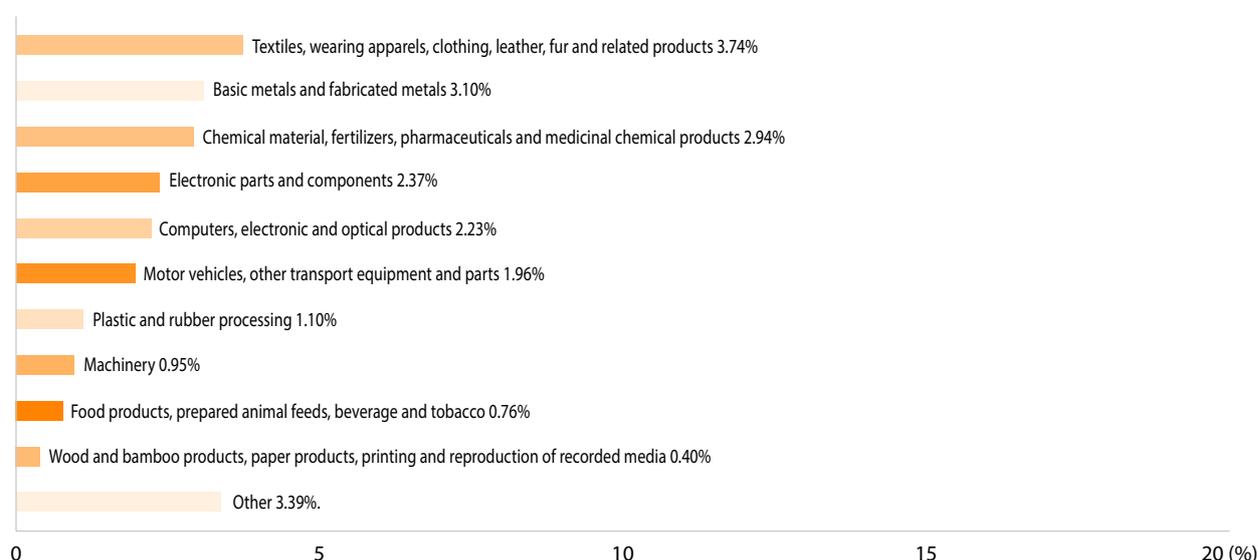
By Standard Industrial Classification of Directorate General of Budget, Accounting and Statistics, the Bank's 2021 overall credit risk exposure came in at NT\$197.1 billion, including loans, factoring, receivable acceptance, guarantee, and receivable L/C amounts; NT\$185.7 billion, excluding that fully secured by the Bank's certificates of deposit. Of these numbers, the financial and insurance industry category accounted for the greatest share of our credit risk exposure at 23.70%. Next came the manufacturing industries category with 22.94%, the real estate industry with 20.25%, the individuals with 17.16%, the wholesaling and retailing industry with 5.22%, the information and communication industry with 2.69%, the transportation and storage industry with 1.48%, the human health and social work industry with 1.29%, the accommodation and food service industry with 1.22%, the construction industry with 0.91%, the water supply and remediation industry with 0.73%, the arts, entertainment and recreation industry with 0.68%, the professional, scientific

and technical activities industry with 0.68%, the support service industry with 0.39%, the agriculture, forestry, fishing and animal husbandry industry with 0.30%, the electricity and gas supply industry with 0.15%, the education industry with 0.12%, the other service industry with 0.09%. Within the manufacturing sector, the textiles, wearing apparels, clothing, leather, fur and related products industry recorded the greatest credit risk exposure of 3.74%, followed by the basic metals and fabricated metals industry with 3.10%, the chemical material, fertilizers, pharmaceuticals and medicinal chemical products industry with 2.94%, the electronic parts and components industry with 2.37%, the computers, electronic and optical products industry with 2.23%, the motor vehicles, other transport equipment and parts industry with 1.96%, the plastic and rubber processing industry with 1.10%, the machinery industry with 0.95%, the food products, prepared animal feeds, beverage and tobacco industry with 0.76%, the wood and bamboo products, paper products, printing and reproduction of recorded media industry with 0.40%, and other industry with 3.39%.

The credit risk exposure, excluding that fully secured by the Bank's certificates of deposit, at the end of 2021:



The credit risk exposure within the manufacturing sector (22.94%):



We are actively cultivating new clients in Taiwan and abroad. To seek stable growth and diversify operating risk, we are proactive to consolidate our existing customer base and make inroads into the niche segment of mid-market enterprises, which promises to make an important foundation for promoting various co-marketing undertakings.

Syndicated loans have always been the mainstay of our lending business. The Bank established the Corporate Finance Department to provide customized, quick and precise financing solutions to clients, raise funds for them, and help them solve critical problems. Our target customers are mainly based in the Greater China area (Taiwan and Hong Kong) from all business sectors. Coming with a full spectrum of funding solutions, the Bank is ready to share growth with domestic and international businesses. Furthermore, with refined and professional services, not only does the Bank help corporates keep growing, but also boost its own competitiveness in the market.

In 2021, companies retained a prudent approach toward operation and investment due to the global economic uncertainty amid the Covid-19 pandemic. Alongside a gradual decrease in syndicated loans, it was increasingly difficult to secure lead bank status, especially when most businesses are applying for low-interest loans to cover operation costs. Yet, on top of a solid customer base built over the years, the Bank always prides itself on being a “boutique bank” that refrains from vying for small margins, stays focused on the referral from corporate clients and from affiliates with growth prospects, offers corporate clients financing strategies tailored to their financial planning, develops such businesses as green energy and environmental protection in line with future trends at home and abroad, and continues to expand its financing business on ESG sustainability.

2) Deposits

As of the end of 2021, the Bank’s outstanding balance of NT dollar and foreign currency deposits, excluding export remittances, came in at approximately NT\$238.1 billion. For the sake of both liquidity and security, the Bank gives priority to deposit stability. As such, emphasis is placed on diversifying the maturities of time deposits while actively soliciting demand deposits and small and medium-sized enterprises (SMEs) deposits to bring down capital costs.

The Bank’s various personal deposit products and services have something in common: they are all driven by customer needs. These include online opening of NT dollar and foreign currency digital accounts without visiting a physical branch, NT dollar and foreign currency demand and time deposits, children’s accounts, foreign exchange swap, various payment, and “Mobile Number is Account Number” transfer services. We seek to meet clients’ cash management and funds allocation needs via both digital and physical channels.

3) Foreign Exchange and Offshore Banking

We continued to offer trade financing services and give priority to maintaining a reasonable interest spread in our foreign exchange financing operations. In 2021, the Bank’s import and export business recorded a modest growth from the change of business strategies, and the exchange amount continued to grow steadily.

With regard to offshore banking, the Bank offered DBU and OBU services across the Taiwan Strait while further strengthening services to clients that have established multinational operations centers so that they could secure the funds needed for offshore operations. Meanwhile, the Bank responded to the rapid

development of trade across the Taiwan Strait by enhancing the quality of service to Taiwanese firms, thereby fostering business development and attracting even more business opportunities.

4) Direct Investment

The Bank adopted a proactive approach to disposing of its direct investment portfolio after obtaining permission from the Financial Supervisory Commission to become a commercial bank in March 2015. As of the end of 2021, all such divestments had been completed except two cases.

5) Financial Product Trading

The Bank's financial product trading operations include financial product transactions and marketing. We trade foreign exchange and fixed-income products as well as their derivatives, while our financial product marketing services chiefly refer to those meant to provide clients with various financial products and services and financial hedging instruments. In 2021, the Bank secured the go-ahead to launch non-principal protected structured products composed of foreign currency equity options, foreign currency interest rate swaps, and foreign currency interest rate swap options linked to foreign currency principals, as well as to have its DBU/OBU trade bonds while engaging concurrently in securities business.

The coronavirus pandemic kept its grip on the world in 2021. Many countries directly or indirectly phased in a "living with Covid-19" strategy, however, as vaccination gained momentum and reduced the occurrence of severe disease among the infected. Economic conditions improved and inflation expectations increased accordingly, prompting major central banks to signal readiness for tightening. In particular, the Fed began scaling back bond purchases late in the year. The Bank continued to strengthen its overall risk management, monitor market value assessments, optimize trading systems and internal management protocols, strengthen training of salespeople and managerial officers, and make preparations for new operations and products. Thanks to prudent risk management, the Bank was able to fare reasonably well in fixed-income operations even as rate hike expectations added to upside risk for yields.

6) Securities Trading

The Bank's securities business chiefly consists of investment in the shares of domestic companies listed on the Taiwan Stock Exchange and Taipei Exchange. The year 2021 saw governments around the world continue pumping easy money to boost economies as the Covid-19 pandemic persisted. This ample liquidity fueled a global bull run led by U.S. equities. Taiwan was certainly not immune to the pandemic, and the TaieX retreated to 15,160 or so in May. But solid fundamentals, especially substantial gains in exports, drove a strong rebound that closed the year at 18,218, wrapping up an annual increase of 3,486 (23.66%). For its part, the Bank scored an exceptional profit of over NT\$500 million for the year.

7) Project Finance

Project finance encompasses project financing and financial advisory. Project financing chiefly provides private companies with a wide range of project financing and project development services. We provide comprehensive project financial planning, investment feasibility assessment, structuring of syndicated project loans, transfer of trust beneficiary rights, drafting of strategies for contract negotiations, and assistance with the acquisition of funds to participate in equity investments. Our financial advisory services are meant to provide clients with tailor-made solutions, that is, consulting with regard to corporate consolidation and M&As, debt arrangement, reorganization, fund-raising, M&A financing, and tax planning.

11) Payment Services

- **Card Payment Services:** In addition to debit cards with hundreds of personalized card designs for customers to choose from, we continued to provide co-branded and affinity cards issued in conjunction with members in the consumer markets, chain restaurants, public welfare entities, schools, electronic stored value card operators, etc. Featuring specific debit card discounts, cash rebate and zero-risk card use, they rightly give cardholders peace of mind.
- **Electronic Payment Services:** We have provided customers with the service of immediate deductions from their accounts when they make use of such payment platforms as GAMA PAY, JKOPAY, and Linepay Money. As such, we are poised to give customers richer possibilities as to where they can conduct transactions and support a greater number of payment instruments.

12) Insurance Services

Teaming up with PCA Life, we have introduced protection-oriented life insurance, medical insurance, accident insurance, NTD/foreign currency savings-oriented insurance, and NTD/foreign currency investment-linked insurance products. Through face-to-face marketing, and other channels, we provide a wide range of products and services to ensure that customers have access to the best-fitting insurance in different stages of their lives. Apart from bring out the spirit of protection through insurance, the Bank's offering of professional insurance service is reciprocated in the customers' trust and loyalty.

13) Wealth Management Services

With our consultants serving the individuals and business owners separately, the Bank provides customers with tailor-made financial products and advisory services, including deposits, investment products, insurance products, and tax and asset arrangement. We provide a full spectrum of services in a bid to attract high-end customers so as to broaden and deepen their interaction with the Bank.

(2) Business Plan for 2022

1) Credit Extension

In the face of an intensely competitive financial market, we strategically consider ourselves a "boutique bank" in the corporate banking sector. We are ready to build on our existing customer base and implement the following action plans:

- (A) **Expand the Bank's customer base:** In addition to bolstering the existing customer base from the O-Bank group, we will work equally hard to make inroads into the mid-market enterprises sector and green energy sector to extend the customer sector from corporate banking clients to high-asset customers in family businesses. Through provision of a full spectrum of wealth management products, we aim to become the primary bank they count on.
- (B) **Strengthen trade finance and forex trading:** Promote trade finance services, foster deposits derived from customers' capital flow, thereby complementing the growth in fee income and demand deposits. The Bank takes the advantage of existing large clients as the basis for expanding to other members of their supply chains.
- (C) **Develop different types of project financing opportunities and vie for domestic and overseas syndicated loans:** in addition to promoting project loans in tandem with government policy, the Bank also uncover structured deal opportunities and actively vie for quality domestic and overseas syndicated loans as

early on by means of our digital banking services. Continuous efforts will be made to persuade customers to make the Bank their primary partner in terms of capital allocation. Under our member-get-member (MGM) initiative, we will further encourage existing clients to recommend new ones and integrate resources within the O-Bank Group to attract more salary transfer accounts and thus accelerate expansion of our customer base. At the same time, we are relying on cross-industry alliances to gain access to the existing clients of our partners. We are also taking advantage of internet and social media to expand our exposure and recognition and in turn facilitate customer growth. Priority is to be given to building a secure, reliable environment for electronic transactions by applying trustworthy innovative digital verification mechanisms to document signatories and promoting digitization of operational procedures.

3) Foreign Exchange and Offshore Banking

In 2022, the Bank will continue adapting to the cross-border operating mode of customers by meeting their capital needs through provision of foreign currency financing services. Likewise, currency hedging services will be made available to customers who need to engage in cross-border payments and collections. Through its financial service platform that spans Taiwan, Hong Kong, mainland China, and the U.S., the Bank is set to provide customers with diverse services and one-stop shopping of financial products, thereby meeting the needs of Taiwan's companies to allocate capital across the world and helping them stay competitive.

The emergence of Covid-19 variants has compounded an already uncertain future facing the world economy. With risk control given top priority, the Bank will place special emphasis on the U.S., Hong Kong, and mainland Chinese markets while tracking opportunities presenting themselves in Southeast Asian emerging economies at the same time. The ultimate goal is a global presence through consolidation and expansion of overseas platforms. The Bank acquired California-based EverTrust Bank in 2007, and successfully broke into the U.S. financial markets. There are a total of eight outlets in the Greater Los Angeles Area and Silicon Valley. Catering primarily to an ethnic Chinese clientele, EverTrust Bank deals mainly in deposits, loans, cash management, trade finance, and consumer lending services, with the overall business growing and developing steadily. In the days ahead, the Bank is set to further broaden lending business and strengthen the capital efficiency by bolstering its sales team and expanding mortgage and small business administration (SBA) operations. When it comes to Hong Kong and mainland China, the Bank's Hong Kong Branch has proactively catered to businesses of the territory since its inception in 2009. In addition to gradually making inroads into the Guangdong-Hong Kong-Macao Greater Bay Area, it will also play a key part in enhancing cross-border collaboration among the Bank's affiliated businesses while placing emphasis on both business growth and asset quality. In 2012, the Bank established a representative office in Tianjin to gather market information and help the O-Bank Group expand operations there. Going forward, the Bank will consider the feasibility of its upgrade to a branch or subsidiary, an entity fitted with unique features. Set up in 2011, IBT International Leasing Corp. has grown steadily and scored a handsome earnings record over the years. In the days ahead, it is set to take deeper root in China's leasing market by opening new outlets, exploring niche industries, and expanding product lines. Under the O-Bank Group's development plan for its leasing business, it aims for a stock exchange listing in 2024. Beijing Sunshine Consumer Finance Co., Ltd., the Bank's joint venture with China Everbright Bank and China CYTS Tours Holding Co., Ltd., became operational in August 2020. As a consumer finance company dominated by banks, it enjoys a solid capital base and cost advantage. On the operational front, China Everbright Bank offers support through its customer resources and technological capacity for digital risk control. Beijing Sunshine Consumer Finance will take prudent steps

toward developing China's consumer banking market by developing a capital-light business model geared mainly toward online channels. In terms of making inroad into Southeast Asia, the Bank is ready to support the government's "New Southbound" policy and expand its presence in Southeast Asia via forming strategic alliances, setting up outposts, and integrating OBU and cross-border syndicated lending operations, thereby giving further impetus to its overseas bid.

4) Direct Investment

In the wake of the Bank's reorganization from an Industrial Bank into a commercial bank, we will give priority to disposing of our original investment portfolio in 2022. Such disposals are expected to be completed by the end of 2022.

5) Financial Product Trading and Investment

In the international financial environment, U.S. bond yields moved higher in 2021 on rate hike expectations as inflation exceeded the Fed target and the jobs market showed exceptional strength, thereby prompting the U.S. central bank to become increasingly hawkish. While the Fed already began cutting back on bond purchases at the end of 2021, it is expected to end such purchases entirely and start a fresh rate hike cycle in March 2022. Further, bond yields look poised to stay under upward pressure as there is also a possibility of the Fed's taking action on balance sheet shrinking earlier than previously expected.

At its monetary policy meeting held on March 17, 2022, Taiwan's central bank decided on a 25-basis point increase in the discount rate, rate on refinancing of secured loans, and rate on temporary accommodations, as well as in the interest rates for 28-, 91-, and 182-day NCDs. The hike was attributed to the following three factors: 1) inflationary pressure persisted; 2) prospects of an ongoing economic recovery remained intact; 3) European and U.S. central banks dropped their monetary easing bias, ended bond purchases, and started a fresh rate hike cycle. Meanwhile, Taiwan's central bank raised its GDP and CPI projections for 2022 to 4.05% and 2.37% respectively from 4.03% and 1.59% seen previously. The slightly rosier economic outlook was based on the expectation that still robust exports should more than offset the adverse impact on private consumption derived from surging raw material prices amid escalating tensions between Russia and Ukraine. Combined, the still unrelenting pandemic and geopolitical risks seem poised to keep crude and other commodity prices from coming down anytime soon, thereby leaving international financial markets vulnerable to bigger-than-usual swings. All in all, however, the central bank is expected to keep moving toward monetary tightening as the Taiwan economy stays on growth track.

(A) Trading and investing in fixed-income products

The Bank is set to strengthen balance sheet management and stringently control asset quality. This year we continue to pay attention to dealing in quality assets to utilize funds effectively. The rationale is to enhance the profitability and strengthen the liquidity reserves ratio. Given ongoing drastic changes across financial markets, the Bank is set to strengthen post-investment managing and stringently control and monitor asset rate and credit risk.

(B) Marketing financial products

With priority given to serving corporate clients on this front, the Bank aims to provide them with hedging instruments, such as foreign exchange and interest rate derivatives, and wealth management products. Committed to sustaining long-term relations with customers, our sales team will, based on market conditions and customer characteristics and needs, carefully assess their risk tolerance while delivering

meticulous market analysis and diverse financial products to help them hedge risk and conduct investment.

6) Securities Trading

Combined, an ongoing pandemic, rising inflation, rate hikes, and geopolitical bickering add immensely to uncertainties weighing down on the world economy in 2022. Liquidity is poised to tighten and risk awareness heightens. Equity markets are prone to wild swings and stock selection is set to prove increasingly difficult against a possible decline in corporate earnings: companies will find it a major challenge to match their mostly hefty earnings of 2021 amid concerns over demand softening and inventory adjustment. Earlier, Taiwan's Directorate General of Budget, Accounting and Statistics projected GDP growth of 4.42% in 2022. Against the ebb of WFH prosperity, in the spotlight will be businesses positioned to meet still vigorous demand for innovative technologies such as high performance computing, 5G/AIoT, EV, and energy conservation and carbon reduction. As such, the country's semiconductor industry is poised to keep up its growth momentum. Further, Taiwan's listed companies are expected to have recorded combined earnings in excess of NT\$4 trillion in 2021. The prospect of their paying handsome stock dividends will surely offer solid support to local equities so long as the economy stops short of decisively reversing course. The Bank will uphold risk alertness and adopt a flexible stance in trading equities to strive for positive returns. Emphasis will be placed on building a portfolio of mainly blue chips offering reasonably high dividend ratios to be complemented by stocks that appear to be riding positive industry trends and showing rosy earnings potential.

7) Project Finance

As the year 2021 unfolds, we will build on our extensive customer base in the Greater China area (Taiwan and Hong Kong) to deliver tailored boutique banking services and provide corporate clients with optimal customized solutions. Assistance will be offered in such areas as corporate consolidation and M&As, renewable energy lending, green lending, debt arrangement, restructuring, fund-raising, M&A financing, and tax planning. At the same time, we will draft feasible financial and commercial frameworks for various development projects and create financing and investment opportunities that are likely to emerge accordingly.

8) Trust Business

The Bank is proactive to develop trust services and diversify trust offerings to cater to even more consumers. Priority will be given to giving customers an additional option in terms of investment and wealth management. Emphasis will also be placed on developing escrow, advance payment trust, and personal trust services. In short, we will devise tailor-made trust contracts to meet all manner of customer needs.

9) Cash Management and e-Banking

In 2018, O-Bank introduced its digital corporate banking platform to internally deliver real-time services at all times. High on the 2022 agenda is optimization of this platform to accommodate new businesses and consolidate pertinent information, thereby providing customers with better-rounded services. Equally important is to enhance transaction security by further upgrading security control components as the Bank is increasingly called upon to accommodate diverse operating systems and serve a broader clientele. Meanwhile, the Bank is ready to expand and bolster collection and payment services for corporate clients,

such as those rendered at convenience stores, and establish channels for nationwide payment services. Furthermore, in 2022, the Bank will continuously develop more deposit offerings for corporate clients with a view to building up a capital position that comprises U.S. dollar demand deposits as well as those in the Taiwan dollar to enhance our liquidity and lower capital costs while further strengthening our collection and payment services. The goal is to create a win-win scenario in which the Bank benefits from earnings growth while building closer customer relations.

10) Digital Retail Banking Services

In terms of business strategies, we will continue to focus on seeking out new quality customers while strengthening our partnership with existing ones. Furthermore, we plan to deliver digital innovation to improve transaction safety and convenience.

- **E-banking Services:** Continue to optimize platform layout and operations, refine customer experiences, upgrade services, and provide customers with fitting product information based on customer behavior and dealings with the Bank. In addition, continue to optimize security control system to provide customers with even more convenient and safer transaction service.
- **Digital Wealth Management Services:** Complement preferential mutual fund offerings with our Robot Advisory initiative to give customers not only fee discounts but also custom-made recommendations with regard to their investment portfolios, thereby providing customers with diverse wealth management services and promoting financial inclusion. Separately, the Bank will continue to work with the Department of Finance, National Sun Yat-sen University in course design and research projects to enhance the core capacity for smart wealth management and data analytics while repaying society through training students at the same time.

11) Payment Services

- **Card Payment Services:** The Bank will continue to issue debit cards that the market and customers truly need by drawing on our capacity to identify customer preferences through data analytics. On the back of our integrating the physical and virtual, we will also tap the O-Bank group's resources to introduce debit cards that effectively meet customer needs. All in all, the objective is to increase card issuances, the active rate, and cardholder spending. In line with our altruistic ideal of "benefiting others to fulfill oneself," we are ready to keep up our corporate culture that values repaying society and caring for the less fortunate.
- **Electronic Payment Services:** In 2022, we will also take advantage of our strength as a digital bank in developing new products to cater to the younger generation, including those applicable to the EasyWallet platform. We are ready to make a presence across campuses to build up our young clientele willing to engage more proactively in digital banking. Meanwhile, more alliances will be formed with ecommerce platforms, startup partners, and electronic payment institutions to better serve customers in making payments.

12) Insurance Services

By forming strategic alliances with life insurers and working with nonlife insurers, we will provide a broad spectrum of specialized services based on customer needs so as to boost customer confidence and retention. Separately, an e-fast track section will be set up on our online platform for insurance purchases to increase convenience and ensure timeliness.

13) Wealth Management Services

- (A) Expand our wealth management service reach. Provide a wide range of customized wealth management products and services. Strive for further innovation and draw on our digital platform to get close to customers. Enhance the customer experience by means of such services as mobile wealth management consultation and placing orders over the phone.
- (B) Continue to deepen our customer base and form a team of wealth management professionals to serve the business owners of the Bank and its affiliates' corporate banking clients. Seek out promising clients to promote cross-selling, a collaborative initiative that promises to maximize a win-win for the Bank and its customers.
- (C) Bolster the competence of our wealth management team. Devise attractive incentives for customers as part of our comprehensive wealth management package.
- (D) Bolster the risk management mechanism, from sales to operations, and ensure rigorous legal compliance to protect customer rights and interests.

(3) Market Analysis

A. Industry status and future prospects

Despite lingering uncertainty, the world economy gradually recovered in 2021 as many countries persisted with fiscal expansion and monetary easing and Covid-19 vaccination became ubiquitous worldwide. For its part, Taiwan sustained a sudden upsurge in coronavirus infections in May and was forced to impose a Level-3 alert nationwide. The economy, however, managed significant growth thanks to robust exports fueled by recovery in global demand, the technology industry's expansion in capital expenditures, and more local companies moving back operations from overseas. According to Directorate General of Budget, Accounting and Statistics tallies, Taiwan's GDP growth came in at 6.45% in 2021.

Taiwan's financial services industry saw its total pretax profit grow 38.7% from a year earlier to NT\$936.6 billion in 2021. By industry, the securities (including securities brokerage, securities investment, and futures), and insurance sectors posted record earnings of 72% and 84.3% increase from the year before in pretax profit. The Banking sector (including domestic banks, local branches of foreign banks, Chunghwa Post Co., Ltd., bills finance corporations, and credit cooperative associations), however, saw its pretax profit grow a mere 4% from the year before as loan expansion fueled by pandemic relief and greater industrial demand barely offset foreign banks' smaller profit on exchange.

Collectively, Taiwan's domestic banks recorded a 7.8% annual increase in pretax profit to NT\$337.0 billion in 2021. Of the total, the headquarters and domestic branches of local banks posted pretax profit of NT\$214.7 billion, up 14.9% from the year before. OBUs sustained a 13.7% decline in pretax profit to NT\$86.1 billion due to the U.S.-China trade war amid homecoming of Taiwanese businesses from overseas, the Covid-19 pandemic, and a weaker U.S. dollar. By contrast, overseas branches saw their pretax profit jump 58.2% to NT\$32.5 billion mainly on business upturn in Europe, the U.S., and Asia (including Singapore). Pretax profit shrank 33% to NT\$3.7 billion for mainland Chinese branches due to falls in investment returns and banks' preemptive allocation of higher NPL expenses. In the overall earnings, the headquarters and domestic branches of local banks accounted for the greatest share of the overall earnings at 63.7%. Next came the OBU at 25.6%, and followed by overseas branches at 9.6% and mainland China branches at 1.1%.

permitted to engage in online deposits, loans, and wealth management and invest in fintech enterprises. Since the promulgation of the Financial Technology Development and Innovative Experimentation Act in 2018, the FSC has driven regulatory sandbox applications and made clear its intention of urging further financial innovation. In the highlight are Open Banking, cloud outsourcing of financial operations, InsurTech, RegTech, and integration of electronic payment and electronic stored value cards. Next, in 2020, the FSC unveiled the FinTech Development Roadmap, a three-year agenda that covers a one-stop communication platform, data sharing, regulatory adjustment and code of ethics, capacity building, digital infrastructure, FinTechSpace ecosystem, international networking, and supervisory and regulatory technology.

Fintech applications are playing an increasingly important role in the transformation of banks and the improvement of competitiveness. Mobile communications, social media, cloud services, and big data analytics have found their way into payment, insurance, financing, fund-raising, and investment services. For financial services, the physical is making way for the virtual by the day. In a departure from the dependence of traditional banks on a massive network of physical outlets, O-Bank has adopted a strategy of focusing on virtual channels and delivering banking services under a brand-new business model precisely with a view to taking advantage of this ongoing trend. Separately, the Bank is also proactive to seek out partners outside the financial services industry in order to secure the advanced technologies or customer pools of technology companies or platform operators.

D. Development strategy and positive/negative factors

(A) Development strategy:

Our retail banking services will be geared mainly toward digital finance. We are using advanced information systems and technologies in conjunction with social media and cloud marketing to transform ourselves into a digitally focused bank that draws on virtual channels and rapid iteration to develop unique digital banking services. On top of cost savings and a most satisfying customer experience, ours is a more convenient, accessible service mode of financial inclusion that can effectively cater to customers of the new generation. Separately, the Bank is set to build on the retail banking service experience and customer base accumulated since its transformation to strengthen its niche lending business. An elite team of professionals will be called upon to develop tailor-made wealth management services and products to broaden and deepen our customer reach. In terms of corporate banking services, we will persist with our “intensive cultivation” strategy, expand our client base across industry chains of existing customers, vigorously expand MME customer base, bolster risk management mechanisms, strengthen the referral of products, and improve asset quality so as to effectively boost customer contribution to our earnings, thereby maximizing the capital efficiency. In terms of business innovation, the Bank will establish a digital innovation team and seek purely digital B2B2C strategic alliances to expand digital loans to micro and small businesses and individuals and tap scene payment opportunities. Emphasis will also be placed on optimizing the digitally rendered customer experience and meeting customers’ basic needs for financial services, thereby enhancing their stickiness.

To meet the rapidly growing financing needs of SMEs in China, we will further expand our leasing ventures across the Taiwan Strait and establish a shared platform on this front. The Bank teamed up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form Beijing Sunshine Consumer Finance Co., Ltd. It is ready to make inroads into China’s consumer banking market that comprises both SMEs and individuals, thereby maximizing the benefits of our investments on the mainland. In the days

startups in 2019. All these will create a win-win scenario while contributing to our customer diversity and deposit growth. On top of the aforesaid demand deposit initiatives meant for SMEs and startups, the Bank introduced a preferential-rate time deposit program in 2021 to cater to small businesses, providing corporate banking clients with another instrument for asset allocation.

■ Retail Banking :

The Bank has devoted itself to building a well-rounded wealth management platform since 2020 by phasing in diverse products. In 2021, offshore structured products and a proprietary bond trading platform were added to optimize the wealth management platform and further increase customer satisfaction and stickiness.

■ Digital Banking :

To speed up digital transformation and enhance competitiveness, the Bank established the Digital Innovation Department on January 1, 2022:

(1) Promote innovative online services for SMEs and micro and small businesses across the board. Help such clients grow by offering data-based, differentiated services to meet their financing needs promptly.

(2) Enhance service efficiency and customer experiences by undertaking strategic cooperation for third-party data and building a fully automated workflow for extending personal credit loans digitally.

■ Trust Business:

In line with the FSC's Trust 2.0 Plan, the Bank is set to serve more financial consumers by going beyond monetary and real estate trust and custody services. To provide customers with more investment and wealth management options, we are planning to introduce such new wealth management and trust offerings as inheritance trust for high-asset customers and rights of superficies trust.

Trust products offered during the most recent two years and their amounts:

Unit: NT\$ millions

Item	2021	2020
Non-discretionary money trusts for investing in domestic and foreign securities	2,301	1,222
Other monetary trusts	2,556	3,037
Real estate investment trusts	3,201	3,235
Advance collections trusts	868	688
Total	8,926	8,182
Real estate trusts	3,299	6,075

※ For the information on the scale and profitability of the Bank's principle financial products, please refer to "Weight of Major Business Operations" of this Chapter: Business Activity.

B. R&D expenditures incurred in the past two years and the results achieved; future R&D projects

■ Corporate Banking:

Since its initiation in 2015, the Bank's online corporate banking platform has persisted with strengthening its security control capability as dictated by incessant environmental changes. A highlight in 2019 was the addition of a bolstered end-to-end encryption mechanism to ensure both the security of information

transmission upon customer log-in and the accuracy of information thus transmitted. A further upgrade was done in security control for the online cooperate banking platform in 2020 and 2021. To solve the limitation of single-browser clearance and for fear that IE may be removed sometime in the future, other browsers (Chrome, Edge, and Firefox) were incorporated into the platform. Besides working toward compatibility with other browsers in 2022, we will develop applications accessible to corporate clients who are MAC users. High on the 2022 agenda, that is, will be to further expand browser compatibility and develop diverse multi-operating system applications for corporate clients.

The Bank introduced a dynamic security verification mechanism for transactions by fax at the end of 2019. This new feature provides customers with more convenient and safer transaction service and eliminates the risk inherent with delivery of hard copies. Both the Bank and its customers will benefit from significant cost savings and transaction efficiency will be greatly enhanced. In keeping with its commitment to corporate social responsibility and sustainable development, the Bank is ready to promote this mechanism across its corporate banking customers to minimize waste derived from copy printing and delivery in 2020. In 2021, the Bank expanded collection outlets, such as convenience stores. More channels for nationwide payment services will be established in 2022.

R&D expenditures during the most recent two years and expected future expenditures:

Unit: NT\$ thousands

Year	2022 (projected number)	2021 (actual number)	2020 (actual number)
Amount	3,217	348	2,052
Growth rate (%)	824.43%	(83.04%)	(22.57%)

■ Retail Banking

The Bank’s R&D expenses of the most recent two years went toward optimizing its existing features and services.

(1) E-banking:

- We offer a number of online services such as downloading passbook cover and bank statement, multiple account transfer options (transfer by QR code, “Mobile Number Is Account Number,” transfer by contacts, etc.), online and automatic payments, and online queries and quota-setting for children’s accounts. Also offered are such services as expenditure analysis, easy bookkeeping, and automatic reconciliation.
- Optimize mobile/online banking interfaces and update their login pages, post-login homepages, and menus to better meet customer needs.
- Further optimize security control and identity verification mechanisms for adding devices to provide customers with more convenient and secure transaction services.

(2) Robot Advisory: We provide customers with easy and rational choices when it comes to investing and managing their assets. Our system’s algorithm lets customers assemble investment portfolios that match their risk attributes and notifies them of opportune times for portfolio adjustments offered by changes in the market. To cater to different customer needs, we introduced the “Dividend Robot” and the “Brand Robot,” and in 2020, the introduction of foreign currency alternatives offers the option for

customers to manage their investment in US Dollar or South Africa Rand. Customers can then enjoy the intelligent wealth management services and also avoid rate risks.

- (3) Impact Loans project: This project was designed specifically to help the economically disadvantaged employees or assisted subjects of the Bank's partner institutions so that they can tide over emergencies in life. Joining forces with consumers to give relief to the less fortunate attests to our altruistic ideal of "benefiting others to fulfill oneself."

(A) R&D expenditures during the most recent two years and expected future expenditures:

Unit: NT\$ thousands

Year	2022 (projected number)	2021 (actual number)	2020 (actual number)
Amount	50,000	17,548	81,757
Growth rate (%)	184.93%	(78.54%)	(15.54%)

(B) Research and development results during 2022

Unit: NT\$ thousands

Project	Investment
Strengthening of e-banking	8,683
Strengthening of back-end support system	3,855
Wealth management/investment system (including overseas bonds)	3,531
Optimization of lending procedures	1,479

(C) Future research and development plans

Unit: NT\$ thousands

Plans/projects during the most recent year	Current progress	Further required R&D expenses	Expected date of completion	Main factors weighing on success of future R&D
Installation of overseas stock system	In progress (completion: 80%)	7,000	2022.6.30	Integrity of business planning and availability of system development manpower
Strengthening of systems for loan operations and auxiliary functions	In progress (completion: 30%)	16,000	2022.6.30	
Installation of account-opening and settlement functions	In progress (completion: 30%)	10,000	2022.6.30	
Strengthening of back-end support system	Under planning	17,000	2022.12.31	

In the days ahead, we will always give priority to meeting customer needs as we adapt to a rapidly changing market and take up the challenge posed by an anticipated outburst of internet-only banks. We will focus our resources on developing and delivering features and services that customers really want and need, thereby making their bank of first choice.

■ Digital Banking:

As going digital increasingly gains traction, the Bank is proactive to funnel resources toward developing digital loans for individuals and online financing for SMEs and micro and small businesses.

(1) Micro-, Small and Medium-sized Enterprises (MSMEs) Banking

Develop online and digital financial products to spare SMEs and micro businesses all the paperwork required of the conventional loan application process or the trouble and time necessitated by dealing with physical branches. Work with third-party service providers (TSP) to facilitate cross verification

of business data so as to establish a grading system that can draw on such data for reviewing loan applications of SMEs and micro businesses. Digitization of the loan application process promises to effectively optimize customer experiences and help the Bank fulfill its corporate social responsibility and sustainability aspirations on such fronts as green energy, environmental protection, and financial inclusion.

(2) Personal Banking

Capitalize on the country's opening to digital banking and, through teaming up with TSPs for strategic alliances, draw on emerging technologies to optimize online loan application services. Meanwhile, the Bank will bolster risk control by using third-party APIs to access third-party external data and the government's open platforms.

- Introduce the latest verification system that can convert financial statements needed for loan applications into structured data from nonstructured data in order for our automated credit extension process to meet customers' capital needs in no time.
- Gain access to TSPs for needed data to speed up identity verification, simplify documentation, and streamline the entire application process. Build a big data risk management model to complement any deficiency that may arise in credit reports, thereby facilitating lending decisions and upholding asset quality. This promises to go a long way toward giving customers in need of funding quick access to financial services through digital and DIY channels.

R&D expenditures during the most recent two years and expected future expenditures:

Unit: NT\$ thousands

Year	2022 (projected number)	2021 (actual number)	2020 (actual number)
Amount	4,458	-	-
Growth rate (%)	-	-	-

■ Risk Management

In accordance with pertinent statutory requirements, the Bank teamed up with our consulting team to establish a GRC (Governance, Risk Management, Compliance) management platform in 2018 in order to effectively implement a risk-driven internal control mechanism, build a more efficient and fully integrated internal control system, and make possible timely risk analysis and management.

Starting with an operating risk management module, the GRC platform went online at the beginning of 2019. We had already completed installing the fundamental structure for compliance and auditing as of the end of 2020 and expect to have it activated in the end of 2022.

The installation of GRC platform costs a total of NT\$13,963 thousand and the expenditures during the most recent years:

Unit: NT\$ thousands

Year	2022 (projected number)	2021 (actual number)	2020 (actual number)
Amount	1,980	0	0
Growth Rate(%)	-	-	-

In accordance with the Basel Committee's Fundamental Review of the Trading Book (FRTB), the Bank has set more stringent requirements for trading book positions, adopted more risk-sensitive methodologies under the standardized approach, enhanced computation complexity, and taken into account the relevance of various risk factors.

While a formal package has yet to be unveiled, Taiwan's competent authority already announced that FRTB-embedded regulations will be put into force in 2024. As such, the Bank will start its own research and assessment in 2022 and is set to complete the entire project by the regulatory deadline to ensure our compliance with capital requirement regulations.

(5) Short- and Mid- to Long-Term Business Development Plans

Taking into account current political and economic conditions at home and abroad and various factors favorable and unfavorable to our development, the Bank will work vigorously for business growth. To achieve the said goal, we have drafted the following short- and mid- to long-term business development plans:

A. Short-term business development plans:

(A) Further expand retail customer base and enhance customer contribution

Since its transformation into a commercial bank, the Bank has successfully launched into retail banking business. But faced with a daunting environment of fierce competition and incoming challenges of retail banking business, the Bank will work along several lines to grow our customer base and enhance customer contribution. On one hand, we will establish strategic alliances for provision of joint services that focus on everyday needs. As we gradually establish a brand alliance and ecosystem, we will be able to enter consumers' everyday applications and reap large numbers of new customers. Meanwhile, we will focus on developing new businesses to break through the competitive market by small-scale testing and quick replacement trying. On the other hand, we will establish a team of elite professionals to focus on serving high-end customers. With emphasis placed on both quality and quantity, the objective is to convince existing customers to subscribe to the Bank's comprehensive and fully flexible wealth management services, thereby increasing product penetration and customer contribution. Equal emphasis will be placed on delivering an optimal customer experience, thereby creating an excellent reputation and soliciting customer loyalty and customer recommendations to others.

(B) Persist with the corporate banking "intensive cultivation" strategy to increase ROA

Confronted with economic environment changes and an increasingly stringent regulatory environment, "intensive cultivation" will remain our core strategy for corporate banking services. On top of keeping up a quality balance sheet, we will seek to maximize the benefits of capital utilization. In the days ahead, emphasis will also be placed on expanding our customer base to all segments of the relevant industry chains on the basis of our existing customers, and making inroads into the MME and offshore banking sector. Extension of loans will be intended as the first step toward building up wealth management and TMU businesses as well. The ultimate objective is to improve our interest spread structure and enhance fee income, thereby further increasing our earnings capacity in the corporate banking sector while meeting the NSFR and LCR requirements for liquidity.

(C) Draw on the capacity for innovation to create synergies for the Bank and affiliates

We will make good use of our existing corporate banking customer base and new MME customer base in expanding such services as salary transfers and customized wealth management opportunities. Priority will be given to promoting treasury marketing unit (TMU) business by facilitating cooperation

2. Human Resources

(1) The Bank's number of employees, as well as their average years of service, average age, educational background, and professional licenses held during the most recent two years and the current year up to the date of publication of this annual report:

Year		2022/4/19	2021/12/31	2020/12/31
Number of Employees	Clerks	972	948	897
	Workers	17	16	18
	Total	989	964	915
Average Age		41.1	40.8	40.7
Average Years of Service		4.4	4.5	4.8
Distribution of Academic Degrees	PhD	0.0%	0.0%	0.1%
	MA	28.8%	29.4%	29.3%
	BA	63.7%	64.0%	64.8%
	Senior High School	7.5%	6.6%	5.8%
Professional Licenses Held	Banks' Internal Control and Audit Exam	382	390	393
	Exam on Financial Market Knowledge and Professional Ethics	393	412	395
	Trust Services Competency Exam	336	349	322
	Structured Commodities Salesperson Qualification Exam	120	126	121
	Financial Derivatives Salesperson Qualification Exam	72	76	57
	Securities Brokerage Salesperson Qualification Exam	63	63	63
	Securities Brokerage Senior Salesperson Qualification Exam	114	117	115
	Personal Insurance Salesperson Qualification Exam	202	211	213
	Property Insurance Salesperson Qualification Exam	140	154	153
	Exam for Personal Insurance Salespeople Selling Foreign Currency, Non-Investment Products	59	61	61
	Entry-Level Lending Personnel Qualification Exam	161	164	159
	Entry-Level Forex Personnel Qualification Exam	140	142	137
	Bond Trading Competency Exam	25	27	28
	Forex Trading Competency Exam	7	7	7
	Bills Salesperson Qualification Exam	36	36	36
	Securities Investment and Trust Salesperson Qualification Exam	70	73	76
	Securities Analyst Qualification Exam	6	6	5
	ACAMS Certification	8	9	8
	CISA Certification	2	2	2
	CPA Certification of the ROC	3	3	3

Note: The employee tallies in the table do not take account of those working at overseas branch entities.

(2) Status of employee training:

To meet the need for migrating toward digital banking and ushering in a new business model, the Bank devises comprehensive training programs and career paths for employees based on its operating strategy and goal while paying special attention to incorporating the Bank's core values and specific requirements. Each year, training programs that focus on management capacity and specialized skills are designed separately for employees of different levels to enhance their competitiveness.

In 2021, the Bank hosted 486 internal training courses and drew on outside organizations for another 632 courses. Trainees totaled 38,701 persons. Combined, the Bank's employees underwent a total of 41,137.55 hours of training, averaging out to 43.5 hours at an average cost of over NT\$2,521.4 per person.

On top of the internal and external courses cited above, the Bank's digital learning platform—O-Bank Digital Academy—also provides a wide range of in-house and outsourced courses that cover various financial disciplines, legal compliance, and management issues. In 2021, a total of 383 such online training courses were offered and employee attendances amounted to 24,021.45 hours. To accommodate migration toward updated international criteria for certification of personal information protection, the Bank offered a series of training on personal information protection in 2021 to get aligned with international practices and enhance employee awareness on this front.

3. Corporate Social Responsibilities and Code of Ethical Conduct

Committed to sustainable development since its inception, the Bank has continuously devoted itself to the six major corporate social responsibility areas of corporate governance, employee care, customer service, environmental protection, social engagement, and green finance. In January 2015, the Bank established its Corporate Social Responsibility Committee and took in the highest-ranking managerial officers of all departments as committee members. Reporting to the Board of Directors on an annual basis, the committee is charged with the task of making real the Bank's belief in ethical management and sustainability throughout, thereby ensuring that the Bank fulfills its responsibilities to all stakeholders: employees, customers, shareholders, suppliers, and the public. Since publishing its first year report to disclose results of implementing corporate social responsibility initiatives in 2016, the Bank has to date emerged a recipient of the TCSA Taiwan Corporate Sustainability Awards granted by the Taiwan Institute for Sustainable Energy (TAISE) for six consecutive years.

■ Overview of the 6 Corporate Social Responsibility Areas

In the area of corporate governance, we make it a point to fulfill ethical management, and maintain information transparency and open disclosure. Besides the appointment of independent directors, we have established various functional committees to ensure the effective supervision of internal company operations. In addition, we have established Whistleblower System, an internal reporting system, set up anti-corruption and fraud prevention policies, and promoted employee training and awareness, thereby making real our belief in ethical management. With regard to employee care, we continue to provide annual financial training courses and develop a digital platform for e-learning so that employees can take courses at their own convenience. Meanwhile, we provide various types of benefits and care measures, and pay attention to employees' work-life balance, thus creating a working environment of gender equality as well as diversity and equity. In the area of customer service, we faithfully comply with the competent authority's regulations and effectively protect customer privacy and transaction security. Moreover, in the spirit of financial inclusion, we have launched a charity affinity card platform and routed 0.2% cashback benefits to the cooperating non-profit organizations.

As of year-end 2021, we worked with over 10 non-profit organizations. The launch of affinity card allows each customer to support the social issues he or she chooses and do good deeds in each swipe of the affinity card.

In terms of environmental protection, we advocate energy conservation and carbon reduction, strengthen water resources management and waste reduction, promote green procurement, and urge suppliers to do their part in fulfilling corporate social responsibility. We have instituted an ISO 14001:2015 environmental management system, an ISO 14064-1:2018 greenhouse gas inventory system, and an ISO 50001:2018 energy management system, with the objective to fulfill the vision of co-existence with the environment from different areas. In the area of social engagement, we abide by our humane belief as we continuously support schools in remote areas and provide the schoolchildren with various resources and experiences. Also, we continue to purchase products from social enterprises and B Corporations and host various events to support the businesses that aim for a harmonious co-existence between nature and society. In terms of green finance, in 2021 we signed the Equator Principles (EP) to assess the potential environmental and social risks of project finance operations. We issued our first green bond in the same year. The fund will be used to support the development of renewable energy and energy technologies, in the hope of leveraging the financial influence and fulfilling financial sustainability.

Thanks to the Bank's multifaceted, systematic endeavors toward fulfilling corporate social responsibility, we won certification of B Lab of the U.S. in 2017 as a B Corporation, the highest honor in the sphere of corporate social responsibility for today's business community worldwide. O-Bank was not only the first listed bank to have been thus certified worldwide but also the first listed company and financial services provider in Taiwan to have won this honor. Furthermore, the Bank, for the second consecutive year, has made it to CommonWealth Magazine's second place prize of "Corporate Citizen Award" and Taiwan Corporate Sustainability Awards, including "Sustainability Comprehensive Performance Award", "Gender Equality Leadership Award," "Creative Communication Leadership Award." All these awards are surely the recognition of the Bank's outstanding performance in implementing its corporate social responsibility (CSR).

■ Social Engagement Achievements

Over the years the Bank has been proactive to get involved in social welfare activities in line with its aspiration for following the corporate spirit of "benefiting others to fulfill oneself" as well as its commitment to fulfilling corporate social responsibility. Our major social welfare undertakings consist of "care for students in remote areas" and "promotion of social enterprises." In terms of care for students in remote areas, in 2021, the Bank held 2 "Kids Helping Others" programs, 2 "Cinema for the Mind" events, and 1 festival activity, to keep schoolchildren in remote areas company in their childhood. In addition, every quarter the Bank donates hand cleanser products to New Taipei Municipal JiChin Elementary School in Ruifang District, and PingLin Elementary School in Pingling District, with the aim to maintain the health of the schoolchildren.

In terms of promoting social enterprises, the Bank has purchased products from social enterprises and B Corporations, as holiday gifts for employees and media reporters. The total amount of these purchases came to over NT\$950,000 in 2021. In addition, every quarter, the Bank organizes "Social Enterprise Group Buying," where employees are encouraged to support social enterprises. Furthermore, the Bank has introduced "preferential corporate deposit accounts," "preferential corporate payroll accounts," and special loan program for B Corporations, to use the power of finance to support the businesses that aim for a harmonious co-existence between nature and society. To encourage more customers to support social enterprises and B Corporations, the Bank has taken the lead in the industry to advocate conscious consumption. The Bank had brought together

4. Number, Average Salary, and Median Salary of Fulltime and Non-Executive Employees; Their Differences from the Previous Year:

Year	2021	2020	Difference (%)
Number of Non-Executive Employees	698	746	-6.4%
Average Salary of Employees (NT\$ thousands)	1,251	1,169	7.0%
Median Salary of Employees (NT\$ thousands)	1,023	986	3.8%

Note: The employee tallies in the table do not take account of those working at overseas branch entities.

5. Information Equipment

(1) Hardware and Software Configurations of Major Information Systems

The Bank's major information systems include those meant for front-end trading, mid-end management, back-end operations, and office automation. The primary hardware lineup includes IBM RS6000, Oracle SPARC, HP ProLiant, and Lenovo xServer while software, IBM AIX, RedHat Linux, Oracle Solaris, Windows Server, VMware, Oracle DB, and Windows SQL DB. Besides conducting in-house supervision and maintenance of the said major hardware and software, the Bank has also contracted suppliers for routine maintenance and emergency repairs in order to make sure that all information equipment runs smoothly at all times. The Bank is ready to gradually expand the foregoing information systems in coming years if this is warranted by business needs and performance considerations.

(2) System Development or Procurement

A. Major Special Projects Undertaken in 2021:

- 1) Establishment of the function to place orders over the phone: The service of placing orders of funds and overseas bonds over the phone went online on March 29, 2021.
- 2) Installation of the proprietary overseas debts selling system: The selling business of the proprietary overseas debts products went online on April 2, 2021.
- 3) Optimization of the structured products trading system: The optimized automatic reexamination process went online on July 1, 2021.
- 4) Personal information deletion project: Upon completion of masking and deletion of customers' personal information, the modified system went online on November 30, 2021.
- 5) Evaluation of extending SFDC contracts: The expiry of our contracts with SFDC for software services in February 2021 was followed by evaluation of extending such contracts and transferring some tasks to the Bank's internal customer service or operating system. Signing of the said extended contracts was completed on December 16 of the same year.
- 6) Installation of the overseas bonds custody system: Going online on April 5, 2021, the custodian bank system meant for proprietary overseas bonds trading brings the Bank more tradeable products and an extra sales channel.
- 7) Installation of the OA firewall: Improve the Bank's firewall structure and minimize information security vulnerability. This installation went online on August 26, 2021.
- 8) Infrastructure integration: This Infra project is meant to reduce data and voice service expenses, enhance service quality, optimize management and maintenance, and install mobile extensions. This project started going online on December 30, 2021.

(3) Mock Drills for Information Security

The Bank conducts drills for DoS Attacks, Malware Attacks, and Personal Information Leakage on an annual basis. The objective is to make sure that the Bank, in the event of any accident caused by natural disasters, human errors, or malignant attacks, can report and handle it in a timely manner and thus keep its impact to a minimum.

1. Drills for DoS Attacks: Every year the Bank joins forces with telecom operators to organize drills for DoS attacks to get thoroughly familiar with all the emergency response procedures. Meanwhile, the Bank's Emergency Response Program for DoS Attacks is subject to revision whenever warranted.
2. Drills for Malware Attacks: Simulations are implemented annually for IT personnel to get familiar with all the procedures—evaluation, notification, sequestration, handling, and recovery—in the event of a malware attack against PCs or servers.
3. Drills for Personal Information Leakage: With a different scenario designed each year, the drills may involve more participants if this is warranted by the scope and severity of the simulated impact. A post-drill review is conducted to ensure a swift response in the event of an actual leakage going forward.

(4) Protective Measures for Information Security

To ensure the security of its information environment, the Bank has installed the following: antivirus software, double firewalls, intrusion prevention, file and mainframe access control, network traffic anomaly detection, automatic updating of patches, website links control, instant messaging control, email filtering, control of USB storage devices, information leakage prevention, database monitoring, control of mobile devices, management of privileged accounts, 2FA, laptop HD encryption, APT protection, and protection against DDoS attacks. In terms of application security, the Bank has adopted source code, black box, and open source tools and built an online inspection and testing mechanism. Meanwhile, the Bank also engages specialized institutions to verify the information security of apps on an annual basis.

6. ICT Security Management

(1) ICT Security and Risk Management Framework

When it comes to managing ICT security, the Bank plans and implements measures from the perspective of operations management, thereby bolstering its overall capacity for upholding information security. The chief information security officer ("CISO") is charged with policy implementation and resources allocation to strengthen the Bank's information security management as well as supervision of planning and monitoring on this front. In addition to devising a fitting overall system as well as surveillance and protection mechanisms, the unit responsible for information security and composed of 10 people shall join related departments to conduct risk assessment and implement management and control measures.

To effectively implement its information security management system and enforce relevant operations, the Bank established an information security promotion team and an information security implementation and examination team in November 2016. Convened by the Head of Information Technology Division, the information security promotion team is responsible for supervising and deciding on matters in relation to the information security management system. The team also convenes meetings every six months to examine the implementation status of the information security management system and provide the resources needed.

With a plan to report to the Board annually, on March 16, 2022, the Bank's CISO filed a report to the Board of Directors on overall information security implementation during the previous year. As such, the Board of Directors and senior management are charged with the responsibility of overseeing security on this front. Each

year the CISO was joined by the chairman of the board, the president, the chief auditor, the chief compliance officer in issuing the Declaration of Overall Information Security Implementation.

(2) ICT Security Management System:

To ensure the confidentiality, completeness, usability, and legality of information assets and prevent intentional or accidental threats both within and without, the Bank has taken account of its business needs while enacting its information security policy and operational regulations, and thus “Information Security Policy” was approved by the Board of Directors. From setting information security policies and goals and adopting implementation and maintenance measures to reviewing and amending policies and regulations on a regular basis and assessing risks, the Bank follows the PDCA (Plan-Do-Check-Act) cycle as it seeks ceaselessly to improve and strengthen all relevant aspects on this front. After securing ISO 27001 certification Operational Highlights for information security management in January 2017, the Bank won recertification after a three-year cycle in December 2019 and extended the effective certification period from January 20, 2020 to January 20, 2023, giving testimony to the effective operations of its information security management system.

The Bank’s information security goals are as follows:

- Ensure the confidentiality of information assets by enforcing control of access to information and requiring that only authorized personnel are given such access.
- Ensure the completeness of information operations management to prevent unauthorized alteration.
- Ensure the uninterrupted functioning of information operations.
- Ensure the compliance of information operations with applicable laws and regulations.

(3) ICT Security Management and Resources

The Bank is proactive to funnel resources toward information security management, including construction of a well-rounded managerial and technical infrastructure, procurement of protective equipment, surveillance of external intelligence, assignment of dedicated personnel, joining the Financial Information Sharing and Analysis Center (F-ISAC), and training of all employees on this front.

A comprehensive defensive mechanism is installed across application systems, servers, and network equipment (such as firewall systems, firewalls for web applications, intrusion detection systems, and clean pipe operations) to ward off malicious external attacks. Establish a surveillance system, review daily routine records, and conduct early warning operations. Tackle information system anomalies and potential information security threats, thereby effectively upholding information security and minimizing the risk of data leakage and malicious intrusions.

A. Measures for enhancing information security

In 2021, the Bank ushered in EDR and segmentation operations of OA division and a remote access mechanism (video conferences included) to accommodate work from home. Meanwhile, external intelligence was included in the Bank’s information security surveillance system.

B. Information security measures to foster customer transactions

- 1) While the Bank sustained a 24% increase in malicious scanning, vulnerability detection, attacks, and intrusions in 2021, no impact or damage was recorded thanks to its monitoring, analysis, and blocking.
- 2) To determine and enhance the security of websites and apps offered to customers, the Bank engaged a specialized information security company to conduct penetration tests.
- 3) Electronic equipment insurance was secured to offer protection against material damage and financial losses due to sudden, unexpected accidents.

C. ICT Security Training and Awareness Promotion:

In 2021, the Bank provided all employees with three-hour training and monthly e-mail promotion on information security to help them better grasp its importance and the threats and regulatory trends on this front as well as advocated information security otherwise on an irregular basis, thus enhancing their information security awareness and vigilance. Separately, the Bank's dedicated personnel charged with information security are required to undergo relevant training of not less than 15 hours.

(4) Major ICT Security Incidents

The Bank has not recorded any major ICT security incident during the most recent year and the current year up to the date of publication of this annual report.

In 2021, however, there were four information security incidents that fell short of being categorized as major. All four had no impact on customers as they were ascertained as being caused by software or hardware anomalies rather than hacking or viruses.

The Bank has implemented a set of procedures for reporting and handling information security incidents to prepare for possible losses and consequences as well as countermeasures should they do occur. Information security incidents are assigned different grades. Upon receipt of notice of any information security incident, the handling unit shall address and resolve it within the prescribed timeframe. Subsequently it is also supposed to analyze causes of the incident and adopt remedial measures so as to prevent a repeat.

7. Labor Relations

(1) Employee benefit plans and retirement system as well as the status of their implementation; the status of labor-management agreements and measures for preserving employee rights and interests:

A. Benefit Plans:

- (1) Employee Insurance: In addition to offering labor insurance and national health insurance, as required by law, the Bank provides employees and their families with group insurance and increases their coverage under term insurance, accident and injury insurance, hospitalization insurance, cancer insurance, accident insurance for overseas business trips, and occupational hazard insurance. This makes a well-rounded insurance scheme that helps create a carefree working environment for employees.
- (2) Health Checkups: Each year employees of the Bank are entitled to health checkups that are more thorough than is required by applicable laws and regulations. The Bank also conducts follow-up inquiries to help employees keep track of their health in order to ensure that they are taken good care of both physically and mentally.
- (3) Study Grants: The Bank offers grants for employees to take outside courses, pursue academic degrees, go abroad for advanced studies, and take various certification tests.
- (4) Preferential Loans: The Bank provides employees with preferential loans to meet personal needs, including mortgages and consumer loans, and to offer emergency relief so as to stabilize their lives.
- (5) Employee Stock Ownership Trust (ESOT): Enable employees to share the Bank's success and bolster their identification therewith while helping them cultivate long-term savings and accumulate personal wealth.
- (6) Counseling: To help employees relieve stress, the Bank teams up with "Teacher Chang" to offer counseling on family and interpersonal relations and those between the sexes as well as self-adjustment at the workplace. Employees are free to go to Teacher Chang and book a counseling session directly.

2. Where the employee has worked for not fewer than 25 years.
3. Where the employee attains the age of 60.
4. Where the employee attains the age of 55 and has worked as a driver or security guard.

b. Compulsory Retirement

The Bank shall notify an employee of compulsory retirement if either of the following situations has occurred:

1. Where the employee attains the age of 65.
2. Where the employee is unable to perform his/her duties due to disability.

(D) Criteria for Payment of Pensions:

- a. For employees who reported to work prior to June 30, 2005 and choose to retain applicability to the retirement mechanism in the Labor Standards Act:
 - Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be not more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months.
 - In accordance with Article 55, paragraph 1, subparagraph 2, an additional 20% on top of the aforesaid amount shall be given to employees forced to retire due to disability incurred from the execution of their duties.
- b. For employees applicable to provisions of the Labor Pension Act, which went into effect July 1, 2005:
 - Of the employees who reported to work prior to June 30, 2005, their years of service before their choosing a switch of applicability to the Labor Pension Act shall be reserved and, in turn, their pension entitlement for the given period shall be calculated in accordance with provisions laid out above.
 - In terms of the employees applicable to provisions of the Labor Pension Act, which went into effect July 1, 2005, the Bank shall, pursuant to the Table of Monthly Contributions for Labor Pension promulgated by the Ministry of Labor, contribute the equivalent to 6% of their monthly wages as labor pension on a monthly basis.

C. Labor-Management Agreements:

To promote labor-management relations and hear what employees have to say, the Bank's has established a number of channels for communicating with them:

- (A) Hold labor-management meetings on a regular basis: The annual labor-management meeting is held to discuss matters with regard to the protection of labor under applicable laws and regulations, such as overtime work and nighttime work for female employees. Any resolution adopted by the meeting shall be incorporated into the Bank's working regulations and made known to all employees. Meanwhile, the Bank continues to promote employee awareness of key regulations governing attendance and overtime work, thereby ensuring the rights and interests of all employees.
- (B) Organize employee conferences and "WeCare 2.0" events on a regular basis: To strengthen the interaction between employees and senior managers, the Bank holds employee conferences on a regular basis and WeCare 2.0 event once a month. "WeCare 2.0" events allow employees to meet senior managers at the managers' office during the designated hour to exchange and share opinions, thereby improving bilateral communication between the company and employees.

(C) Install mailboxes to communicate with and care for employees: To protect employee rights and ensure effective communication, the Bank has established mailboxes for employees to file general complaints and sexual harassment charges. Complaint documents and letters shall be treated as confidential information to protect the rights and interests of the informing party. Separately, the “WeCare Mailbox” is put in place to encourage employees to make suggestions on employee care and help establish a workplace open to communication.

(D) “Corner for O-Bank Employees”: The Bank has established “Corner for O-Bank Employees” on Facebook to make public all sorts of information whenever warranted and thus keep employees stay up to date. In addition, the Bank is proactive to uncover employee needs and suggestions through its internal publication “TOUCH News” and by way of non-routine employee surveys.

Any newly introduced or corrective measures that bear on labor-management relations shall be preceded by full communication and consensus building between the two sides. Employees can also present their personal opinions through internal channels or directly to supervisors, thereby attaining effective communication and promoting labor-management relations.

D. Measures for Preserving Employee Rights and Interests: In addition to enacting well-rounded internal regulations and operating procedures, the Bank makes it a point to uphold employee rights and interests and make sure that employees perform their duties in accordance with applicable laws or regulations and internal control regulations. The said regulations and procedures contain clearly defined provisions with regard to working hours, requesting and taking leave, salaries and bonuses, rewards and penalties, retirement, and occupational safety and health. To spare employees from sexual harassment and uphold gender equality at the workplace, the Bank has also implemented preventive measures and adopted regulations for filing complaints and imposing penalties. A sexual harassment complaint handling committee is now in place to receive allegations, conduct investigations, and take whatever action is warranted accordingly.

(2) Losses sustained as a result of labor disputes (including violations of the Labor Standards Act detected in labor inspections):

The Bank has not recorded any labor dispute during the most recent year and the current year up to the date of publication of this annual report. Violations of the Labor Standards Act detected in labor inspections were summarized as follows:

Date of Penalty	Number of Penalty	Article Infringed	Infringement	Penalty
June 1, 2021	Taipei City Lao-Dong-Zi No. 11060247271	Paragraph 1, Article 24, Labor Standards Act	Failure to pay overtime wages	A fine of NT\$50,000

When the Taipei City Labor Inspection Office conducted a follow-up check on September 6, 2021, the Bank had already completed the requested rectification.

8. Material Contracts:

Type of Contract	Contracting Parties	Commencement and Expiration Dates	Major Content	Restrictive Clauses
Contract on authorization and maintenance of the Bank's new core system	The Bank and International Integrated Systems, Inc.	2015.11.9-2030.11.8	Installation of a new core system after the Bank's transformation to a commercial bank	As provided by the contract
Contract on authorization for system use and provision of special project service	The Bank and Salesforce.com Singapore Pte. Ltd.	2019.2.15-2023.2.14	Authorization for system use and provision of special project service after the Bank's transformation to a commercial bank	As provided by the contract
Contract on maintenance of the Bank's hardware and storage equipment	The Bank and IBM Taiwan	2019.6.1-2022.8.31	Maintenance of the Bank's primary systems and storage equipment	As provided by the contract
Contract on outsourced production and delivery of bank/debit cards	The Bank and Thales DIS Taiwan Co., Ltd.	2020.10.6-2022.10.5	Outsourced production and delivery of bank/debit cards	As provided by the contract
Contract on outsourced production and delivery of bank/debit cards	The Bank and Taiwan Name Plate Co., Ltd.	2021.6.5-2023.6.4	Outsourced production and delivery of bank/debit cards	As provided by the contract
Contract on cash transport for the Bank	The Bank and Taiwan Security Co., Ltd.	2019.1.1-2022.12.31	Cash transport	As provided by the contract
Contract on cash transport for the Bank	The Bank and Lee Bao Security Co., Ltd.	2019.1.1-2022.12.31	Cash transport	As provided by the contract

9. Securitization:

The O-Bank Number One Real Estate Investment Trust (REITs) Fund, for which the Bank acts as lead arranger and trustee, was listed on the Taiwan Stock Exchange on June 21, 2018. The ninth REITs fund to go public in Taiwan, it marks the first instance of the local financial services industry launching into real estate securitization in nearly 11 years. The underlying assets of this NT\$3 billion fund include two types: office building and commercial complex, for which the professional organization Sinyi Global is engaged to help enhance management efficiency.

VI. Financial Information

1. Five-Year Financial Summary-Condensed Balance Sheet and Comprehensive Income Statement

(1) Condensed Consolidated Balance Sheets

Unit: NT\$ thousands

Item	Year	The Last Five Years				
		2021	2020	2019	2018	2017
CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		24,760,696	27,746,758	25,881,765	31,834,070	18,132,429
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		151,899,447	162,494,696	172,913,193	151,512,614	154,136,983
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		191,156,680	172,509,235	142,112,770	149,952,752	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST		-	-	-	499,939	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS		-	-	-	-	149,145,722
SECURITIES PURCHASED UNDER RESELL AGREEMENTS		5,364,108	4,732,882	100,013	991,363	5,682,864
RECEIVABLES, NET		20,076,514	14,952,859	16,483,174	20,829,951	21,202,093
CURRENT TAX ASSETS		324,529	362,328	422,886	381,082	301,362
DISCOUNTS AND LOANS, NET		172,727,589	183,710,973	194,246,229	197,338,050	180,086,186
HELD-TO-MATURITY FINANCIAL ASSETS		-	-	-	-	499,821
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		880,879	789,863	-	-	-
OTHER FINANCIAL ASSETS		875,733	858,462	1,229,503	1,329,918	1,283,434
PROPERTY AND EQUIPMENT, NET		2,545,050	2,672,567	2,854,194	2,951,660	3,084,952
RIGHT-OF-USE ASSETS, NET		332,938	429,678	485,426	-	-
INTANGIBLE ASSETS, NET		1,946,051	2,207,244	2,319,547	2,457,300	2,403,367
DEFERRED TAX ASSETS, NET		900,743	895,887	734,542	672,656	582,334
OTHER ASSETS		1,289,712	1,050,198	916,774	1,090,219	4,030,474
TOTAL ASSETS		575,080,669	575,413,630	560,700,016	561,841,574	540,572,021
DEPOSITS FROM THE CENTRAL BANK AND BANKS		27,876,301	28,479,755	43,439,398	55,529,376	53,032,639
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		441,337	790,298	533,582	793,272	791,018
SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE		187,952,616	181,165,826	159,553,385	151,446,900	189,821,968
ACCOUNTS PAYABLES		2,467,406	2,740,642	3,687,621	5,636,437	5,022,681
CURRENT TAX LIABILITIES		238,572	172,428	46,361	17,857	136,269
DEPOSITS AND REMITTANCES		259,379,425	267,719,672	265,731,824	261,803,321	198,286,700

Item	Year	The Last Five Years				
		2021	2020	2019	2018	2017
BANK DEBENTURES		15,000,000	16,400,000	18,700,000	17,850,000	20,400,000
OTHER FINANCIAL LIABILITIES		20,580,832	18,102,763	12,909,259	15,034,414	22,337,877
PROVISIONS		2,076,334	2,102,012	1,915,054	1,869,428	1,874,368
LEASE LIABILITIES		350,370	444,659	498,832	-	-
DEFERRED TAX LIABILITIES		830,510	793,255	451,572	341,015	216,007
OTHER LIABILITIES		2,719,579	2,249,555	2,416,851	2,400,842	2,477,851
TOTAL LIABILITIES	BEFORE DISTRIBUTION	519,913,282	521,160,865	509,883,739	512,722,862	494,397,378
	AFTER DISTRIBUTION	Note 2	521,833,819	510,976,442	512,734,389	495,121,280
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANKS		36,380,906	35,555,895	33,259,203	31,989,128	29,282,593
CAPITAL STOCK	BEFORE DISTRIBUTION	30,330,063	30,330,063	27,130,063	27,130,063	24,130,063
	AFTER DISTRIBUTION	Note 2	30,330,063	27,130,063	27,130,063	24,130,063
CAPITAL SURPLUS		6,734	5,966	9,750	8,503	7,730
RETAINED EARNINGS	BEFORE DISTRIBUTION	6,567,892	5,200,426	6,186,867	5,010,543	5,124,400
	AFTER DISTRIBUTION	Note 2	4,527,472	5,094,164	4,999,016	4,400,498
OTHER EQUITY		(485,479)	57,744	(67,477)	(159,981)	20,400
TREASURY STOCK		(38,304)	(38,304)	-	-	-
NON-CONTROLLING INTERESTS		18,786,481	18,696,870	17,557,074	17,129,584	16,892,050
TOTAL EQUITY	BEFORE DISTRIBUTION	55,167,387	54,252,765	50,816,277	49,118,712	46,174,643
	AFTER DISTRIBUTION	Note 2	53,579,811	49,723,574	49,107,185	45,450,741

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The appropriation of earnings for 2021 has yet to be approved by 2022 general shareholders' meeting.

(2) Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands; EPS in dollars

Item	Year	The Last Five Years				
		2021	2020	2019	2018	2017
Interest revenue		6,830,219	7,733,670	9,559,209	9,183,853	7,614,208
Less: Interest expenses		2,170,292	3,709,021	5,674,337	4,959,744	3,584,088
Net interest		4,659,927	4,024,649	3,884,872	4,224,109	4,030,120
Net revenue other than interest		4,654,885	4,031,842	4,427,079	3,597,804	3,883,934
Total net revenue		9,314,812	8,056,491	8,311,951	7,821,913	7,914,054
Bad debt expenses and guarantee liability provisions		(553,924)	(599,286)	(1,002,491)	(547,214)	(894,250)
Total operating expenses		(4,521,920)	(4,357,908)	(4,597,225)	(4,604,221)	(4,175,614)
Profit (loss) from continuing operations before income tax		4,238,968	3,099,297	2,712,235	2,670,478	2,844,190
Income tax expenses		(1,034,348)	(785,791)	(681,601)	(730,948)	(732,303)
Profit (loss) from continuing operations		3,204,620	2,313,506	2,030,634	1,939,530	2,111,887
Net profit (loss) from discontinued operations		(4,697)	(12,577)	(4,033)	2,823	(52,986)
Net profit for the year		3,199,923	2,300,929	2,026,601	1,942,353	2,058,901
Other comprehensive income, net of income tax		(777,217)	915,112	438,919	(381,787)	(41,924)
Total comprehensive income		2,422,706	3,216,041	2,465,520	1,560,566	2,016,977
Net profit (loss) attributable to: Owners of the Bank		1,840,842	1,147,403	1,100,433	954,659	1,072,080
Net profit (loss) attributable to: Non-controlling interests		1,359,081	1,153,526	926,168	987,694	986,821
Total comprehensive income attributable to: Owners of the bank		1,497,197	1,384,692	1,280,355	730,675	799,316
Total comprehensive income attributable to: Non-controlling interests		925,509	1,831,349	1,185,165	829,891	1,217,661
Earnings per share		0.63	0.41	0.45	0.40	0.45

Note: The fiscal years for which reports were CPA audited.

(3) Condensed Individual Balance Sheets

Unit: NT\$ thousands

Item	Year	The Last Five Years				
		2021	2020	2019	2018	2017
CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		16,067,776	20,693,345	21,821,456	25,354,849	13,015,386
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		37,056,448	56,042,294	80,623,826	53,820,259	44,703,932
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		80,744,358	65,178,855	35,244,741	48,889,287	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST		-	-	-	499,940	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS		-	-	-	-	48,598,498
RECEIVABLES, NET		2,098,288	1,413,105	3,233,348	6,842,372	5,891,803
CURRENT TAX ASSETS		143,645	74,418	89,717	82,212	54,922
DISCOUNTS AND LOANS, NET		156,748,321	163,916,864	173,981,178	179,388,428	162,757,142
HELD-TO-MATURITY FINANCIAL ASSETS		-	-	-	-	499,821
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		17,335,412	16,542,108	14,920,171	14,120,402	14,219,590
OTHER FINANCIAL ASSETS, NET		771,094	219,108	517,198	614,919	777,105
PROPERTY AND EQUIPMENT, NET		2,365,867	2,489,958	2,661,050	2,757,103	2,864,155
RIGHT-OF-USE ASSETS, NET		182,470	246,147	309,517	-	-
INTANGIBLE ASSETS, NET		853,597	1,084,891	1,163,114	1,274,262	1,248,176
DEFERRED TAX ASSETS, NET		422,953	367,617	288,087	164,392	138,133
OTHER ASSETS		273,322	584,938	399,430	531,695	251,373
TOTAL ASSETS		315,063,551	328,853,648	335,252,833	334,340,120	295,020,036
DEPOSITS FROM THE CENTRAL BANK AND BANKS		18,780,176	22,339,755	28,938,529	28,984,872	34,894,919
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		316,245	637,659	519,880	780,811	700,106
SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE		895,966	1,439,016	2,863,548	4,400,442	15,845,930
ACCOUNTS PAYABLES		1,617,652	1,925,339	2,681,645	4,834,006	4,100,342
CURRENT TAX LIABILITIES		100,670	23,946	46,360	-	91,977
DEPOSITS AND REMITTANCES		238,194,464	246,420,823	243,645,080	240,461,299	183,021,391
BANK DEBENTURES		15,000,000	16,400,000	18,700,000	17,850,000	20,400,000

Item		Year	The Last Five Years				
		2021	2020	2019	2018	2017	
OTHER FINANCIAL LIABILITIES		2,314,610	2,848,008	3,468,649	4,321,291	5,997,782	
PROVISIONS		509,495	512,847	370,856	328,048	241,454	
LEASE LIABILITIES		190,235	253,261	313,446	-	-	
DEFERRED TAX LIABILITIES		517,450	435,263	400,449	333,990	215,911	
OTHER LIABILITIES		245,682	61,836	45,188	56,233	227,631	
TOTAL LIABILITIES	BEFORE DISTRIBUTION	278,682,645	293,297,753	301,993,630	302,350,992	265,737,443	
	AFTER DISTRIBUTION	Note 2	293,970,707	303,086,333	302,362,519	266,461,345	
CAPITAL STOCK	BEFORE DISTRIBUTION	30,330,063	30,330,063	27,130,063	27,130,063	24,130,063	
	AFTER DISTRIBUTION	Note 2	30,330,063	27,130,063	27,130,063	24,130,063	
CAPITAL SURPLUS		6,734	5,966	9,750	8,503	7,730	
RETAINED EARNINGS	BEFORE DISTRIBUTION	6,567,892	5,200,426	6,186,867	5,010,543	5,124,400	
	AFTER DISTRIBUTION	Note 2	4,527,472	5,094,164	4,999,016	4,400,498	
OTHER EQUITY		(485,479)	57,744	(67,477)	(159,981)	20,400	
TREASURY STOCK		(38,304)	(38,304)	-	-	-	
TOTAL EQUITY	BEFORE DISTRIBUTION	36,380,906	35,555,895	33,259,203	31,989,128	29,282,593	
	AFTER DISTRIBUTION	Note 2	34,882,941	32,166,500	31,977,601	28,558,691	

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The appropriation of earnings for 2021 has yet to be approved by 2022 general shareholders' meeting.

(4) Condensed Individual Income Statement

Unit: NT\$ thousands; EPS in dollars

Account	Year	The Last Five Years				
		2021	2020	2019	2018	2017
Interest revenue		3,471,339	4,359,827	5,763,585	5,505,554	4,138,029
Less: Interest expenses		1,261,044	2,445,244	3,806,134	3,324,033	2,161,812
Net interest		2,210,295	1,914,583	1,957,451	2,181,521	1,976,217
Net revenue other than interest		3,301,005	2,736,893	3,347,764	2,548,362	2,529,923
Total net revenue		5,511,300	4,651,476	5,305,215	4,729,883	4,506,140
Bad debt expenses and guarantee liability provisions		(474,298)	(429,960)	(921,016)	(453,038)	(534,168)
Total operating expenses		(3,021,932)	(2,985,225)	(3,174,107)	(3,150,159)	(2,746,189)
Profit (loss) from continuing operations before income tax		2,015,070	1,236,291	1,210,092	1,126,686	1,225,783
Income tax expenses		(174,228)	(88,888)	(109,659)	(172,027)	(153,703)
Profit (loss) from continuing operations		1,840,842	1,147,403	1,100,433	954,659	1,072,080
Net profit for the year		1,840,842	1,147,403	1,100,433	954,659	1,072,080
Other comprehensive income, net of income tax		(343,645)	237,289	179,922	(223,984)	(272,764)
Total comprehensive income		1,497,197	1,384,692	1,280,355	730,675	799,316
Net profit (loss) attributable to: Owners of the Bank		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net profit (loss) attributable to: Non-controlling interests		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total comprehensive income attributable to: Owners of the bank		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total comprehensive income attributable to: Non-controlling interests		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Earnings per share		0.63	0.41	0.45	0.40	0.45

Note: The fiscal years for which reports were CPA audited.

(5) Auditors' Opinions from 2017 to 2021:

Year	Accounting Firm	CPA	Audit Opinion
2021	Deloitte & Touche	Lee, Kuan-Hao 、 Lin, Wang-Sheng	Unmodified Opinion
2020	Deloitte & Touche	Chen, Yin-Chou 、 Lin, Wang-Sheng	Unmodified Opinion
2019	Deloitte & Touche	Chen, Yin-Chou 、 Lin, Wang-Sheng	Unmodified Opinion
2018	Deloitte & Touche	Yang, Cheng-Hsiu 、 Chen, Li-Chi	Unmodified Opinion
2017	Deloitte & Touche	Yang, Cheng-Hsiu 、 Chen, Li-Chi	Unmodified Opinion

2. Five-Year Financial Analysis

(1) Consolidated Financial Analysis

Unit: NT\$ thousands

Analysis Item	Year	The Last Five Years				
		2021	2020	2019	2018	2017
Operating Capacity	Loan to deposit Ratio (%)	67.62	69.55	74.14	76.50	92.18
	NPL Ratio (%)	0.41	0.42	0.75	0.02	0.25
	Ratio of interest payments against annual average deposit balance (%)	0.39	0.80	1.24	1.08	0.78
	Ratio of interest revenues against annual average loan balance (%)	2.16	2.50	2.99	2.96	2.54
	Total assets turnover rate (times)	0.02	0.01	0.01	0.01	0.02
	Average revenue per employee (in NTD thousand)	6,285	5,472	5,571	5,365	5,406
	Average earnings per employee (in NTD thousand)	2,159	1,563	1,358	1,332	1,406
Profitability	Return on Tier 1 capital (%)	15.48	8.47	6.00	6.35	7.00
	Return on assets (%)	0.56	0.41	0.36	0.35	0.40
	Return on equity (%)	5.85	4.38	4.06	4.08	4.47
	Net income ratio (%)	34.35	28.56	24.38	24.83	26.02
	Earnings per share (in NT\$ dollars)	0.63	0.41	0.45	0.40	0.45
Financial structure	Total liabilities to total assets ratio (%)	90.10	90.27	90.66	90.99	91.17
	Total property and equipment to equities ratio (%)	4.61	4.93	5.62	6.01	6.68
Growth rate	Growth rate of assets (%)	(0.06)	2.62	(0.20)	3.93	8.79
	Growth rate of profitability (%)	37.18	13.98	1.30	(4.39)	(24.30)
Cash Flow	Cash flow ratio (%)	Note 8	Note 8	Note 8	6.69	4.12
	Cash flow adequacy ratio (%)	173.44	203.93	55.65	202.32	42.78
	Cash flow satisfied ratio (%)	Note 8	Note 8	Note 8	Note 8	56.89
Liquidity reserves ratio (Individual) (%)		46.81	46.39	45.89	45.61	37.37
Total secured loans to related parties (Individual)		2,835,864	769,742	836,242	1,012,134	1,180,079
Ratio of total secured loans to related parties against total loans (Individual) (%)		1.45	0.38	0.42	0.50	0.66
Scale of Operations (Individual)	Market share of assets (%)	0.52	0.57	0.64	0.66	0.60
	Market share of worth (%)	0.83	0.84	0.81	0.83	0.81
	Market share of deposits (%)	0.52	0.58	0.64	0.66	0.52
	Market share of loans (%)	0.47	0.54	0.61	0.66	0.63

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

1. Non-performing loan ratio is lower than that of the previous year mainly thanks to a decrease in the amount of overdue loans.
2. Total assets turnover rate is higher than that of the previous year mainly thanks to an increase in net operating revenue.
3. Average profit per employee is higher than that of the previous year mainly thanks to an increase in net profit.
4. Return on Tier 1 capital is higher than that of the previous year mainly thanks to an increase in before-tax earnings.
5. Return on assets is higher than that of the previous year mainly thanks to an increase in net profit.
6. Return on equity is higher than that of the previous year mainly thanks to an increase in net profit.
7. Ratio of net income is higher than that of the previous year mainly thanks to a bigger increase in net profit than net operating revenue.
8. Earnings per share is higher than that of the previous year mainly thanks to an increase in net profit.
9. The asset growth rate is lower than that of the previous year mainly due to a decrease in total assets caused by a decrease in loans.
10. The profit growth rate is higher than that of the previous year thanks to a big increase in before-tax earnings.
11. Total secured loans to related parties are higher than those of the previous year mainly due to an increase in the new loans to related parties.
12. Ratio of total secured loans to related parties against total loans is higher than that of the previous year mainly due to an increase in total secured loans to related parties but a decrease in total loans.

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Operating ability
 - (1) Ratio of loans to deposits = total loans / total deposits
 - (2) Non-performing loan ratio = (loans overdue + other overdue) / total loans
 - (3) Ratio of interest cost to annual average deposits = interest cost / annual average deposits
 - (4) Ratio of interest income to annual average loans outstanding = interest income / annual average loans outstanding
 - (5) Total assets turnover = net operating revenue / average of total assets
 - (6) Average operating revenue per employee (Note 6) = net operating revenue / number of employees
 - (7) Average profit per employee = after-tax income / total number of employees
2. Profitability
 - (1) Return on tier 1 capital = before-tax earnings or losses / Net Average Tier I Capital
 - (2) Return on assets = net income / average of total assets
 - (3) Return on equity = net income / average of total equity
 - (4) Ratio of net income = net income / total revenue
 - (5) Earnings per share = (net income – preferred stock dividend)/average weighted outstanding stock (Note 4)
3. Financial structure
 - (1) Ratio of liabilities to assets = liabilities / total assets
 - (2) Ratio of real estate & equipment to equity = real estate and equipment assets / equity
4. Growth rate
 - (1) Asset growth rate = (total assets of the year – total assets of previous year) / total assets of previous year
 - (2) Profit growth rate = (before-tax earnings or losses of the year – before-tax earnings or losses of previous year) / before-tax earnings or losses of previous year
5. Cash flow (Note 7)
 - (1) Ratio of cash flow = net cash flow from business activities / (call loans and overdrafts from banks + commercial paper payable + financial liabilities measured at fair value through profit or loss (fvtpl) + bonds and bills sold under repurchase agreements + current portion of payables)
 - (2) Ratio of cash flow to dividends and expenditures = net cash flow from business activities for the past five years / (capital expenditures + cash dividends) for the past five years
 - (3) Ratio of cash flow for operating to cash flow from investing = net cash flow from business activities / net cash flow from investing activities
6. Liquidity reserves ratio = liquid assets stipulated by CBC / reserves appropriated for various types of deposits
7. Operating scale
 - (1) Market share of asset = total assets / total assets of the major financial institutions (Note 5)
 - (2) Market share of net worth = net worth / total net worth of the major financial institutions
 - (3) Market share of deposit = total deposits / total deposits of the major financial institutions
 - (4) Market share of loan = total loans / total loans of the major financial institutions

Note 3: Total liabilities are deducted from guarantee liability preparation and accidental loss provisions

Note 4: The calculation formula for the earnings per share of the preceding paragraph should pay particular attention to the following matters when measuring:

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

Note 5: Financial institutions capable of operating deposits and loans, including the local banks, branches of China's banks in Taiwan, branches of foreign banks in Taiwan, credit cooperatives, credit departments of agriculture and fishery associations.

Note 6: Revenue refers to the total of interest income and non-interest income.

Note 7: Give special attention to the following matters when carrying out cash flow analysis:

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

Note 8: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated.

Consolidated Capital Adequacy

Unit: NT\$ thousands

Analysis Item		Year	The Last Five Years				
		2021 (Note 3)	2020 (Note 3)	2019	2018	2017	
Eligible Capital	Common Equity	27,505,405	26,668,441	43,690,516	42,039,566	39,951,052	
	Other Tier 1 Capital	235,115	300,001	2,223,697	2,248,225	-	
	Tier 2 Capital	2,194,638	2,843,868	7,492,885	7,639,991	8,193,754	
	Eligible Capital	29,935,158	29,812,310	53,407,098	51,927,782	48,144,806	
Amount of risk-weighted assets	Credit risk	Standard	184,900,099	204,697,317	305,810,019	308,063,174	281,472,735
		Internal ratings-based approach	-	-	-	-	-
		Asset securitization	-	-	-	-	-
	Operational risk	Basic indicator approach	9,483,113	9,020,363	9,966,550	9,260,225	8,580,350
		Standard/ alternative standardized approach	-	-	-	-	-
		Advanced measurement approach	-	-	-	-	-
	Market risk	Standard	9,171,150	21,536,500	86,130,688	76,233,338	69,522,775
		Internal models approach	-	-	-	-	-
	Total risk-weighted assets		203,554,362	235,254,180	401,907,257	393,556,737	359,575,860
	Capital adequacy ratio		14.71%	12.67%	13.29%	13.19%	13.39%
Ratio of Tier 1 capital to risk-weighted assets		13.63%	11.46%	11.42%	11.25%	11.11%	
Ratio of common equity to risk-weighted assets		13.51%	11.34%	10.87%	10.68%	11.11%	
Leverage ratio		7.99%	7.49%	7.07%	6.86%	6.70%	

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The table shall disclose the calculation formula as follows:

- (1) Eligible Capital = Common Shares Equity Tier 1 + other tier 1 capital + tier 2 capital
- (2) Risk weighted assets = credit risk weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5
- (3) Capital adequacy ratio = Eligible Capital / amount of risk-weighted assets
- (4) Common Shares Equity Tier 1 risk based capital ratio = Common Shares Equity Tier 1/amount of risk-weighted assets
- (5) Common stock based capital ratio = (Common Shares Equity Tier 1+ Other Tier 1 Capital) / amount of risk-weighted assets
- (6) Leverage ratio = Common Shares Equity Tier 1+ Other Tier 1 Capital / total risk exposure

Note 3: In accordance with Article 3 of Regulations Governing the Capital Adequacy and Capital Category of Banks, the items originally required for the calculation of the consolidated capital adequacy ratio are then changed to be deducted from the eligible capital from 2020.

(2) Individual Financial Analysis

Unit: NT\$ thousands

Analysis item	Year	The Last Five Years				
		2021	2020	2019	2018	2017
Operating Capacity	Loan to deposit Ratio (%)	66.81	67.42	72.42	75.71	90.25
	NPL Ratio (%)	0.41	0.42	0.75	0.02	0.25
	Ratio of interest payments against annual average deposit balance (%)	0.38	0.79	1.21	1.04	0.79
	Ratio of interest revenues against annual average loan balance (%)	1.89	2.15	2.61	2.55	2.23
	Total assets turnover rate (times)	0.02	0.01	0.02	0.02	0.02
	Average revenue per employee (in NTD thousand)	5,939	4,917	5,486	5,152	4,930
	Average earnings per employee (in NTD thousand)	1,984	1,213	1,138	1,040	1,173
Profitability	Return on Tier 1 capital (%)	7.37	4.70	4.81	4.97	5.89
	Return on assets (%)	0.57	0.35	0.33	0.30	0.38
	Return on equity (%)	5.12	3.33	3.37	3.12	3.65
	Net income ratio (%)	33.40	24.67	20.74	20.18	23.79
	Earnings per share (in NTD)	0.63	0.41	0.45	0.40	0.45
Financial structure	Total liabilities to total assets ratio (%)	88.34	89.08	90.02	90.38	90.03
	Total property and equipment to equities ratio (%)	6.50	7.00	8.00	8.62	9.78
Growth rate	Growth rate of assets (%)	(4.19)	(1.91)	0.27	13.33	11.26
	Growth rate of profitability (%)	62.99	2.17	7.40	(8.08)	(33.98)
Cash Flow	Cash flow ratio (%)	Note 3	Note 3	Note 3	33.81	Note 3
	Cash flow adequacy ratio (%)	128.13	90.14	101.07	176.97	114.74
	Cash flow satisfied ratio (%)	Note 3	Note 3	Note 3	3,043.40	Note 3
Liquid reserves ratio (%)		46.81	46.39	45.89	45.61	37.37
Total secured loans to related parties (in NTD thousand)		2,835,864	769,742	836,242	1,012,134	1,180,079
Ratio of total secured loans to related parties against total loans (%)		1.45	0.38	0.42	0.50	0.66
Scale of Operations	Market share of assets (%)	0.52	0.57	0.64	0.66	0.60
	Market share of worth (%)	0.83	0.84	0.81	0.83	0.81
	Market share of deposits (%)	0.52	0.58	0.64	0.66	0.52
	Market share of loans (%)	0.47	0.54	0.61	0.66	0.63

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

- Ratio of interest payments against annual average deposit balance is lower than that of the previous year mainly due to a decrease in time deposit and a decrease in interest expenses caused by the decreased interest rate.
- Total assets turnover rate is higher than that of the previous year mainly thanks to an increase in net operating revenue.
- Average revenue per employee is higher than that of the previous year mainly thanks to an increase in net profit.
- Average profit per employee is higher than that of the previous year mainly thanks to an increase in net profit.
- Return on Tier 1 capital is higher than that of the previous year mainly thanks to an increase in before-tax earnings.
- Return on assets is higher than that of the previous year mainly thanks to an increase in net profit.
- Return on equity is higher than that of the previous year mainly thanks to an increase in net profit.
- Ratio of net income is higher than that of the previous year mainly thanks to a bigger increase in net profit than net operating revenue.
- Earnings per share is higher than that of the previous year mainly thanks to an increase in net profit.

10. The asset growth rate is lower than that of the previous year mainly due to a decrease in total assets caused by a decrease in loans.
11. The profit growth rate is higher than that of the previous year thanks to a big increase in before-tax earnings.
12. Cash flow adequacy ratio is higher than that of the previous year mainly due to a gradual decrease in cash flow from financial assets at fair value through profit or loss in the recent 5 years
13. Total secured loans to related parties are higher than those of the previous year mainly due to an increase in the new loans to related parties.
14. Ratio of total secured loans to related parties against total loans is higher than that of the previous year mainly due to an increase in total secured loans to related parties but a decrease in total loans.

Note 1: The fiscal years for which reports were CPA audited.

Note 2: Please refer to consolidated financial analysis for the calculation formulas for each item in the above Table.

Note 3: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated.

Individual Capital Adequacy

Unit: NT\$ thousands

Analysis Item		Year	The Last Five Years					
			2021	2020	2019	2018	2017	
Eligible Capital	Common Equity		27,505,405	26,668,441	25,023,843	23,857,101	20,691,448	
	Other Tier 1 Capital		235,115	300,001	639,356	750,999	-	
	Tier 2 Capital		2,194,638	2,843,868	4,212,975	4,518,127	5,160,148	
	Eligible Capital		29,935,158	29,812,310	29,876,174	29,126,227	25,851,596	
Amount of risk-weighted assets	Credit risk	Standard	184,900,099	204,697,317	188,883,844	196,614,687	177,038,851	
		Internal ratings-based approach	-	-	-	-	-	
		Asset securitization	-	-	-	-	-	
	Operational risk	Basic indicator approach	9,483,113	9,020,363	8,785,450	8,071,238	7,422,913	
		Standard/ alternative standardized approach	-	-	-	-	-	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standard	9,171,150	21,536,500	15,774,738	8,099,200	4,165,338	
		Internal models approach	-	-	-	-	-	
	Total risk-weighted assets			203,554,362	235,254,180	213,444,032	212,785,125	188,627,102
	Capital adequacy ratio			14.71%	12.67%	14.00%	13.69%	13.71%
Ratio of Tier 1 capital to risk-weighted assets			13.63%	11.46%	12.02%	11.56%	10.97%	
Ratio of common equity to risk-weighted assets			13.51%	11.34%	11.72%	11.21%	10.97%	
Leverage ratio			7.99%	7.49%	7.31%	7.16%	7.24%	

Note 1: The fiscal years for which reports were CPA audited.

Note 2: Please refer to consolidated capital adequacy for the calculation formulas for each item in the above Table.

3. Review Report of 2021 Financial Statements by the Audit Committee

O-Bank Co., Ltd.

Audit Committee Report

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2021 audited by certified public accountants Kuan-Hao Lee and Wang-Sheng Lin of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports and discussing with the CPAs, the Audit Committee has found them to meet the requirements of applicable laws and regulations. This report is hereby prepared and submitted in accordance with Articles 14-4 and 14-5 of the Securities and Exchange Act.

The Report is submitted to the 2022 Shareholders' Meeting

Hank H.K Lin

Convener of the Audit Committee

O-Bank Co., Ltd.

Date: March 16, 2022

4. Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report: Please refer to Appendix 1.

5. Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report: Please refer to Appendix 2.

6. Any Financial Distress Experienced by the Company or Its Affiliated Enterprises and Impact on the Company's Financial Status, in the Latest Year up till the Publication Date of This Annual Report: None.

VII. Review of Financial Conditions, Operation Results, and Risk Management

1. Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2021	2020	Difference	
				Amount	%
CASH AND CASH EQUIVALENTS		\$ 3,801,811	\$ 3,566,116	\$ 235,695	7
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		12,265,965	17,127,229	(4,861,264)	(28)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		37,056,448	56,042,294	(18,985,846)	(34)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		80,744,358	65,178,855	15,565,503	24
RECEIVABLES, NET		2,098,288	1,413,105	685,183	48
CURRENT TAX ASSETS		143,645	74,418	69,227	93
DISCOUNTS AND LOANS, NET		156,748,321	163,916,864	(7,168,543)	(4)
INVESTMENTS MEASURED BY EQUITY METHOD		17,335,412	16,542,108	793,304	5
OTHER FINANCIAL ASSETS, NET		771,094	219,108	551,986	252
PROPERTY AND EQUIPMENT, NET		2,365,867	2,489,958	(124,091)	(5)
RIGHT-OF-USE ASSETS, NET		182,470	246,147	(63,677)	(26)
INTANGIBLE ASSETS, NET		853,597	1,084,891	(231,294)	(21)
DEFERRED TAX ASSETS, NET		422,953	367,617	55,336	15
OTHER ASSETS, NET		273,322	584,938	(311,616)	(53)
TOTAL ASSETS		315,063,551	328,853,648	(13,790,097)	(4)
DEPOSITS FROM THE CENTRAL BANK AND BANKS		18,780,176	22,339,755	(3,559,579)	(16)
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		316,245	637,659	(321,414)	(50)
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT		895,966	1,439,016	(543,050)	(38)
ACCOUNTS PAYABLE		1,617,652	1,925,339	(307,687)	(16)
CURRENT TAX LIABILITIES		100,670	23,946	76,724	320
DEPOSITS AND REMITTANCES		238,194,464	246,420,823	(8,226,359)	(3)
BANK NOTES PAYABLE		15,000,000	16,400,000	(1,400,000)	(9)
OTHER FINANCIAL LIABILITIES		2,314,610	2,848,008	(533,398)	(19)
PROVISIONS		509,495	512,847	(3,352)	(1)
LEASE LIABILITIES		190,235	253,261	(63,026)	(25)
DEFERRED TAX LIABILITIES		517,450	435,263	82,187	19
OTHER LIABILITIES		245,682	61,836	183,846	297
TOTAL LIABILITIES		278,682,645	293,297,753	(14,615,108)	(5)
CAPITAL STOCK		30,330,063	30,330,063	-	-
CAPITAL SURPLUS		6,734	5,966	768	13
RETAINED EARNINGS		6,567,892	5,200,426	1,367,466	26
OTHER EQUITY		(485,479)	57,744	(543,223)	(941)
TREASURY STOCK		(38,304)	(38,304)	-	-
TOTAL EQUITY		36,380,906	35,555,895	825,011	2

Analysis of the changes:

1. Due from the central bank and call loans to banks are lower than those of the previous year mainly due to a decrease in reserves for deposits and call loans to banks.
 2. Financial assets at fair value through profit or loss are lower than those of the previous year mainly due to a decrease in investment in negotiable certificates of deposits and commercial papers.
 3. Financial assets at fair value through other comprehensive income are higher than those of the previous year mainly due to an increase in investment in corporate bonds and commercial papers.
 4. Receivables: The net is higher than that of the previous year mainly due to an increase in accounts receivable factoring.
 5. Current tax assets are higher than those of the previous year mainly due to an increase in income tax refund receivables
 6. Other financial assets: The net is higher than that of the previous year mainly due to an increase in call loans to securities firms.
 7. Right-of-use assets: The net is lower than that of the previous year mainly due to depreciation and amortization.
 8. Intangible assets: the net is lower than that of the previous year mainly due to the amortization expenses.
 9. Other assets: The net is lower than that of the previous year mainly due to a decrease in refundable deposits paid out as security.
 10. Financial liabilities at fair value through profit or loss are lower than those of the previous year mainly due to a decrease in value of currency swap contracts.
 11. Accounts payable are lower than those of the previous year mainly due to a decrease in accounts payable factoring, acceptance and interest receivables.
 12. Current tax liabilities are higher than those of the previous year mainly due to an increase in income tax payable.
 13. Lease liabilities are lower than those of the previous year mainly due to rental fees paid.
 14. Other liabilities are higher than those of the previous year mainly due to an increase in guarantee deposits received.
 15. Retained earnings are higher than those of the previous year mainly due to an increase in profit.
 16. The decline in other equity mainly reflects a decrease in unrealized gains from financial assets, and an increase in the loss in exchange differences on translation of financial statements of foreign operations.
-

2. Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2021		2020		Change Amount	Change Ratio (%)
		Subtotal	Total	Subtotal	Total		
Interest revenue			\$ 3,471,339		\$ 4,359,827	(\$888,488)	(20)
Less: Interest expenses			1,261,044		2,445,244	(1,184,200)	(48)
Net interest revenue			2,210,295		1,914,583	295,712	15
Non-interest revenue							
Net service fee revenue		\$ 804,356		\$ 583,947			
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss		135,585		(840,982)			
Realized gains on financial assets at fair value through other comprehensive income		267,977		257,439			
Foreign exchange gain (loss), net		598,310		1,642,073			
Share of profit of associates and joint ventures accounted for using equity method		1,415,994		990,158			
Other net revenue other than interest income		78,783		104,258			
Net Non-interest revenue			3,301,005		2,736,893	564,112	21
Net income			5,511,300		4,651,476	859,824	18
Bad debt expenses and guarantee liability provisions (miscellaneous provision)			474,298		429,960	44,338	10
Operating expenses							
Employee welfare costs		1,666,457		1,611,723			
Depreciation and Amortization expenses		525,492		526,662			
Other general and administrative expenses		829,983		846,840			
Total operating expenses			3,021,932		2,985,225	36,707	1
Profit from continuing operations before income tax			2,015,070		1,236,291	778,779	63
Tax expense			174,228		88,888	85,340	96
Profit			\$ 1,840,842		\$ 1,147,403	\$ 693,439	60

Analysis of the changes:

1. Interest revenue is lower than that of the previous year mainly due to a decrease in loans extended and interest rate.
2. Interest expenses are lower than those of the previous year mainly due to a decrease in time deposit and interest rate.
3. Net non-interest revenue is higher than that of the previous year mainly due to an increase in net profit of associates and joint ventures accounted for using equity method.
4. Tax expense is higher than that of the previous year mainly due to an increase in taxable income.

3. Analysis of Cash Flow

(1) Analysis of Changes of Cash Flow in the Most Recent Year:

- A. Operating Activities: There was a NT\$759,659 thousand increase in the net cash outflow from operating activities from the previous year mainly due to a smaller increase in unrealized gains and losses on FVTOCI, a decrease in deposits and remittances, and a smaller decrease in financial assets at FVTPL.
- B. Investing Activities: There was a NT\$1,471,875 thousand increase in the net cash outflow from investing activities from the previous year mainly due to the new investments accounted for using the equity method in the previous year.
- C. Financing Activities: There was a NT\$418,210 thousand increase in the net cash outflow from financing activities from the previous year mainly due to a decrease in dividend payouts, an increase in bank debentures outstanding, and the lack of capital increase.

(2) Improvement Plan of Insufficient Liquidity: Not Applicable.

(3) Analysis of Cash Flow for the Coming Year:

Unit: NT\$ thousands

Amounts of cash and cash equivalents- beginning of period	Estimated annual net cash flows from (used in) operating activities	Projected net cash flow from investment and financing activities	Estimated fiscal deficit(surplus) of cash and cash equivalents	Remedy if cash and cash equivalents in deficit	
				Investment plan	Financing plan
6,505,276	1,746,342	(1,525,235)	6,726,383	-	-

4. Major Capital Expenditure Items and Effect on The Company's Future Business: Not Applicable.

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

In keeping with the trends and changes across domestic and regional financial environments, the Bank adopts an investment strategy that centers on increasing earnings diversity and stability and striking a balance between risks and rewards for its investment portfolio. In line with the mainstream thinking of the financial services industry with regard to risk management, the Bank seeks to diversify its investments in domestic and foreign financial businesses to reduce the volatility of its investment portfolio. After its transformation into a commercial bank, the Bank conducts investment affairs in accordance with Article 74 of the Banking Act. To ensure compliance with the restrictions therein, the Bank has readjusted its investment positions over the past couple of years. In addition to disposing of its direct investment holdings, the Bank has done the same with such venture capital subsidiaries as Boston Life Science Venture Corp., IBT II Venture Capital Co., Ltd., and IBT VII Venture Capital Co., Ltd. After the liquidation and dissolution of its subsidiary Chun Teng New Century Co., Ltd. (formerly IBT Securities Co., Ltd.), the Bank's investment positions are now fully in compliance with applicable laws and regulations.

For 2021, the Bank booked, under the equity method, from the businesses in which it holds stakes a combined profit of NT\$1.416 billion, which represents a 43% increase from a year earlier. Of the Bank's invested companies, China Bills Finance Corp. saw its net profit jump 17.7% to NT\$1.858 billion in 2021 as excess liquidity and corporate expansion fueled a wider interest spread and thus growth in the bills finance market. This was the case even

though monetary easing kept a lid on bond interest spreads and the competent authority imposed selective credit control to curb the property market. IBT Holdings Corp., by contrast, came under pressure alongside the property market; lending was adversely affected and interest spread income shrank. Still, excellent cost control and asset quality management helped it score a 23.4% increase in net profit to NT\$317 million. For its part, China’s leasing industry sustained a double blow—surges in commodity prices and “dual control” energy policies. With the Covid-19 pandemic largely kept under control, however, the country’s “big circulation” policy managed to shore up businesses catering to domestic demand and SMEs largely stayed on growth track. As such, the Bank’s leasing business came up with a 22.3% increase in net profit to NT\$402 million in 2021. Separately, O-Bank teamed up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form Beijing Sunshine Consumer Finance Co., Ltd., which became operational in August 2020. The prospective joint venture is set to satisfy consumers in the Greater China market with a brand-new digital banking service. As of the end of 2021, it has already achieved break-even. In the days ahead, it promises to become another key earnings driver for the Bank.

As the year 2022 unfolds, the Bank will retain a prudent approach toward investing against the far from certain prospects for economic recovery. In addition to bolstering asset quality and management efficiency, the Bank will proactively search for expansion opportunities and attain reasonable growth targets while staying on top of the ongoing pandemic as well as the latest changes in the economy and financial markets.

6. Risk Management

(1) Qualitative and Quantitative Information of Various Risks

A. Credit risk management system and required capital

2021 Credit Risk Management System

Item	Content
1. Credit risk strategy, goals, policy, and procedures	<ul style="list-style-type: none"> ■ Credit risk strategy <ol style="list-style-type: none"> 1. Create an independent credit risk management organization. 2. Adopt a clearly defined credit risk management policy and regulations. 3. Establish credit risk assessment, identification, and management systems. 4. Fully report and disclose the results of credit risk monitoring. 5. Adopt information system SOPs for control of credit-checking and lending as well as assigning of rating scores. ■ Credit risk goals <ol style="list-style-type: none"> 1. Minimize potential financial losses and attain an optimal ratio of risk to reward by drawing on an appropriate risk management strategy and policy as well as fitting procedures, comply with the principle of risk diversification to implement rigorous credit risk management. 2. Ensure compliance with applicable laws and regulations and group-wide risk management, in turn upholding credit standards and asset quality, by enforcing sound risk management mechanisms and control procedures, strengthening information integration and analysis, bolstering the effectiveness of early warnings, and carrying out lending management and monitoring without fail. ■ Credit risk management policy <ol style="list-style-type: none"> 1. In order to establish an effective risk management system, ensure the Bank’s sound operation and development, and provide a basis for business risk management and implementation, the Bank has drafted a risk management policy in tandem with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries promulgated by the Financial Supervisory Commission. The Bank has also drafted a set of credit risk management guidelines to govern the management of credit risk and establish credit risk management mechanisms to ensure that credit risk is controlled within an acceptable range. With capital adequacy rigorously upheld, the Bank will continue to control the bank’s credit risk and achieve operational and management goals. 2. The Bank has also drafted the Lending Policy to serve both as guidelines for credit checking and lending work and as implementation indicators. The content of this policy includes lending principles and credit asset portfolio management. At the same time, the Bank has also compiled credit extension handbooks that specify credit checking and lending procedures and related operating details, ensure that policies will be continuously and effectively implemented, maintain strict loan approval standards, and facilitate the control of credit risk, assessment of possible business opportunities, and identification and management of NPLs.

Item	Content
	<ul style="list-style-type: none"> ■ Credit risk management procedures <ol style="list-style-type: none"> 1. Risk identification <p>Credit risk management starts with the identification of existing and potential risk, including all bankbook, blotter, and on- and off-balance sheet transactions. With the arrival of financial innovation and emergence of increasingly complex loan services, the Bank's responsible units must gain a full understanding of the credit risk of sophisticated services before engaging in any existing or new types of business. The Bank must also determine the probability that any breach of contract may occur when entering into a loan arrangement or transaction.</p> 2. Risk assessment <ol style="list-style-type: none"> (1) Establish a credit risk rating mechanism as a key tool for management of the Bank's asset portfolio. (2) Portfolio management is intended to achieve the following three goals: <ol style="list-style-type: none"> a. Establish and monitor the Bank's loan asset portfolio to ensure that risk is kept within an acceptable range. b. Impose concentration limits to prevent risk concentration, in turn attaining the goal of risk diversification. c. Achieve the objective of optimal earnings. 3. Risk communication <ol style="list-style-type: none"> (1) Internal reporting: The risk management unit shall establish an appropriate credit risk reporting mechanism based on which to regularly provide upper management with correct, consistent, and real-time credit risk information, thereby ensuring that any instances in which limits are exceeded or exceptions occur are promptly reported and serving as reference for subsequent decision-making. Such reports may cover such items as asset quality, asset portfolio status, rating status, and all types of exceptions. (2) External disclosure: In accordance with capital adequacy requirements and the principle of market discipline, units responsible for credit risk shall provide self-assessment of the Bank's performance against quantitative and qualitative credit risk indicators as well as information regarding the Bank's credit risk management system and status in terms of required capital. They shall do so using the format and covering the items stipulated by the competent authority in the way and frequency it requires. 4. Risk monitoring <ol style="list-style-type: none"> (1) The Bank shall establish a monitoring system to assess changes in credit risk of borrowers or transaction counterparties, which will facilitate the prompt discovery of problematic assets or transactions, while enabling the Bank to take action quickly, and respond to any possible breach of contract. (2) Apart from monitoring individual credit risks, the Bank shall also perform monitoring and management of its loan portfolio. (3) The Bank shall establish rigorous credit checking processes and lending regulations based on which to take into account lending factors worthy of consideration, perform post-lending management of new, renewed, and existing loans, and preserve credit checking and lending records. At the same time, the Bank monitors closely the proportions of various types of loans in its loan portfolio. (4) The Bank shall establish a limit management system to prevent excessive concentrations of credit risk, including country risk, industry risk, same-group risk, and same concerned party risk. (5) The Bank shall establish a security management system to ensure that security is managed effectively.
<p>2. Credit risk management organization and structure</p>	<ul style="list-style-type: none"> ■ Board of Directors: The Board of Directors is the Bank's highest supervisory body that is responsible for establishing an effective risk management mechanism, approving and reviewing the Bank's credit risk strategy and major credit risk policies, and setting down a bank-wide credit risk management organizational framework and major credit risk management regulations. The Bank's credit risk strategy should correspond to the degree of risk that the Bank can withstand and the profitability standards that the Bank expects to reach against all types of credit risk. ■ Audit Committee: <ol style="list-style-type: none"> 1. Members: The committee is composed of all of the Bank's independent directors, who shall total not fewer than three. One of them shall serve as convener, and at least one of them shall possess accounting or financial expertise. 2. Chief duties: The committee is responsible for reviewing the Bank's adopted or revised internal control system; evaluating the effectiveness of the internal control system; determining or revising procedures for the handling of major financial business actions involving the acquisition or disposal of assets and the trading of derivatives; reviewing matters that involve directors as stakeholders; reviewing major asset and derivative transactions, major lending cases, endorsements, and provision of guarantees; reviewing issuance or private offerings of equity-type securities; reviewing CPA appointment/discharge or remuneration; reviewing the appointment and discharge of financial and accounting or internal audit managers; reviewing annual and semi-annual financial statements; and reviewing other major matters stipulated by the Bank or the competent authority. ■ Risk Management Committee: <ol style="list-style-type: none"> 1. Members: The Chairman shall chair the Risk Management Committee, whose member shall include at least two directors equipped with professions in risk management or finance, and appointed by the Board of Directors. Also, the President, Head of Operation Management Division, Head of Legal & Compliance Division, Head of Business Strategy Division, Head of Risk Management Division, Head of Information Technology Division, Head of Financial Business Division, Head of Financial Market Division, and Head of Corporate Governance shall serve as the committee members. 2. Chief duties: The committee is responsible for reviewing the Bank's risk management policies and regulations, annual risk appetite, quota, and risk management proposals and mechanisms that call for board approval, as well as overseeing and reviewing risk management measures concerning credit, market, and operational risk, liquidity, information security, AML, personal information, climate change, and emergencies, thereby bolstering the Bank's risk management regime and ensuring the effectiveness of its risk management procedures. ■ Loan Evaluation Subcommittee: <ol style="list-style-type: none"> 1. Members: The President shall serve as convener, and the managers of the lending and risk management departments shall serve as subcommittee members. The subcommittee shall meet once each week as a rule, and may hold an interim meeting when necessary. 2. Chief duties: The committee is responsible for reviewing loan applications forwarded by the Corporate Credit Management Department and Retail Credit Management Department. After giving its approval, the committee shall still present such applications to the relevant supervisory body for deliberation.

Item	Content
	<ul style="list-style-type: none"> ■ Loan Assets Quality Assessment Meeting: <ol style="list-style-type: none"> 1. Members: The Head of Risk Management Division or Head of Corporate Credit Management Department shall serve as convener and chairman of the conference. Personnel from various relevant units shall attend meetings, and the President may attend when the situation warrants. 2. Chief duties: The conference is responsible for assessing the current state of credit asset quality; determining and reviewing strategies and action plans; assessing losses that loan assets are likely to suffer; and reviewing the adequacy of NPL and guarantee liability provisions. If the conference decides to propose an increase in NPL and guarantee liability provisions, it shall first submit the proposal to the President for approval. ■ Risk Management Units: The Bank's risk management units include the Risk Management Department, Corporate Credit Management Department, and Retail Credit Management Department. <ol style="list-style-type: none"> 1. Risk Management Department: Charged with managing the Bank's credit, market, operating, and liquidity risk, the Risk Management Department is also responsible for supervising and keeping track of countermeasures taken by relevant units with regard to risk management decisions and assignments. Upon detection of any risk exposure that threatens to undermine the Bank's finances or business operations, it shall immediately take proper action and present a report in a timely manner. 2. Corporate Credit Management Department: The Corporate Credit Management Department is responsible for identifying, assessing, monitoring, and managing corporate banking risk; drafting loan review standards; drafting and revising contracts and forms; and controlling and releasing loan contracts and collateral. 3. Retail Credit Management Department: The Retail Credit Management Department is charged with the identification, evaluation, monitoring, and management of retail banking risk, appropriation of provisions, loss assessment, and post-lending management.
<p>3. Scope and characteristics of credit risk reporting and assessment system</p>	<p>With regard to the credit risk inherent in all products and business activities and before introducing new products and launching into any new line of business, the Bank has in place appropriate risk measures and controls, which have secured approval of Risk Management Committee, Audit Committee, or the Board of Directors.</p> <p>Credit risk assessment and control procedures include credit checking, rating assignment, credit line control, post-lending management, and debt collection. Apart from implementing the foregoing operating procedures, risk management units also regularly present various types of credit risk and asset quality analysis reports as management indicators. In addition, the Bank actively controls risk from country, group, industry, same concerned party, and same affiliated enterprise, and regularly submits monitoring results to the Board of Directors so that it can keep track of the Bank's exposure to various types of risk.</p> <p>In order to understand the Bank's risk-bearing capacity and the impact on its capital adequacy in the event of changes in economic conditions and the financial environment, the Bank performs credit risk stress testing in accordance with the Financial Supervisory Commission's Plan for Domestic Banks' Conducting Stress Testing and Operating Guidelines for Banks' Credit Risk Stress Testing. The results not only serve as an important basis for credit risk management but also are used for reference in continuously adjusting the Bank's business development, lending policy, and credit assessment procedures.</p>
<p>4. Credit risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools</p>	<p>The Bank mainly uses the following risk mitigation tools to reduce exposure to credit risk: (1) provision of security by transaction counterparties or third parties; (2) on-balance sheet netting, such as using the deposits of a transaction counterparty at its financing bank for the purpose; and (3) third-party guarantees.</p> <p>Although credit risk mitigation tools can reduce or transfer credit risk, the simultaneous use of such tools may increase other residual risks, including legal risk, operational risk, liquidity risk, and market risk. The Bank has adopted rigorous procedures to control these types of risk, including formulation of policies, drafting of operating procedures, implementation of credit review and appraisal, establishment of control systems, contract management, etc.</p> <p>The Bank has established security management policies and operating procedures, verified bank-wide security data, and built a security management system. In order to apply a comprehensive approach to risk mitigation, the Bank has completed collection and analysis of data needed for security offsetting, linked the credit checking and lending system with its security management system, and established a capital requirement calculation platform.</p>
<p>5. Method for meeting statutory capital requirement</p>	<p>Standardized approach</p>

Risk exposure and required capital after risk mitigation employing the standardized approach for credit risk

Base Date: March 31, 2022
Unit: NT\$ thousands

Type of risk exposure	Risk exposure after risk mitigation	Required capital
Sovereigns	46,056,773	0
Non-central government public sector entities	0	0
Banks (including multilateral development banks and Qualifying Central Counterparty)	20,884,562	602,848
Corporates (including securities firms and insurance companies)	100,458,325	7,241,819
Retail portfolios	8,664,972	522,916
Exposure in real estate	101,084,540	6,403,455
Equity securities investment	6,298,416	620,954
Equity securities investment in funds and venture capital business	0	0
Other assets	3,307,119	295,810
Total	286,754,707	15,687,802

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

2021 securitization risk management system

Item	Content
1. Securitization management strategy and procedures	The Bank's asset securitization management strategy focuses on increasing the efficiency of funds use and asset liquidity, and relies on adjustment of the asset/liability structure and shifting of asset risk. As a consequence, apart from carefully assessing its loan assets and analyzing risk exposure, the Bank also makes active use of asset securitization as a channel and tool to ensure that it does not assume excessive risk in the course of pursuing profitability. Each securitization case must be approved by management and submitted to the Board of Directors for consent, and must also be approved by the competent authority before implementation.
2. Securitization management organization and structure	In securitization cases for which the Bank serves as the originating entity, all loan assets in the asset pool must be reviewed and approved in advance by the Bank's operating and review units, and the credit status of target assets in the asset pool must be assessed and analyzed. The risk management unit bears responsibility for controlling and assessing relevant market risk.
3. Scope and characteristics of securitization risk reporting and assessment system	Before issuance of securitized products, the Bank's relevant units will handle target assets in the asset pool in accordance with the Bank's general credit checking and lending procedures, screen asset quality, assess risk, and gradually establish a securitization system. After issuance, depending on the status of target assets in the asset pool, the Bank will regularly perform re- assessment and reveal asset quality in a timely fashion. With regard to holdings taken on in response to credit rating upgrade or subscriptions to newly issued securitized products, the Bank will continue to perform follow-up risk management, model assessment, asset portfolio limit monitoring, asset quality control, bookkeeping, and compilation of information. These steps are intended to prevent deterioration of asset quality and facilitate response measures, when needed, to safeguard the Bank's rights as creditor.
4. Securitization hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools	The Bank trades securitized products only of the conventional type, and all hedging is geared toward shifting the primary credit risk of the asset pool to third parties and creating insulation on the legal front. With regard to required capital after issuance, the Bank makes it a point to attain a level not higher than that when no risk mitigation instruments are employed, thereby reducing risk and maintaining profitability. When it comes to monitoring the continued effectiveness of subsequent hedging and risk mitigation tools, the Bank considers it a fundamental requirement that relevant documents must possess binding power over all related parties as well as legal force. At the same time, the Bank will perform necessary review to ensure the continued existence of mandatory force in law. The Bank shall perform the foregoing procedures, including drafting of strategies and operating procedures, implementation of credit review and assessment, establishment of control systems, and contract termination risk management, in accordance with its internal rules, regulations, and business handbook requirements.
5. Method for meeting statutory capital requirement	Standardized approach

Status of the Asset Securitization:

The O-Bank Number One Real Estate Investment Trust (REITs) Fund, for which the Bank acts as lead arranger and trustee, was listed on the Taiwan Stock Exchange on June 21, 2018. The ninth REIT fund to go public in Taiwan, it marks the first instance of the local financial services industry launching into real estate securitization in nearly 11 years. The underlying assets of this NT\$3 billion fund include two types: office building and commercial complex, for which Sinyi Global is engaged to help enhance management efficiency. In the days ahead, emphasis will be placed on acquisitions on the back of financing in order to further grow the Bank’s asset pool, thereby expanding REITs funds and rental income.

Securitization risk exposure and required capital (by transaction type): None.

Information concerning securitized products:

(A) Summarized information on investing in securitized products: None.

(B) a. Information to be disclosed on investment in securitized products at an initial cost of NT\$300 million or more (not including holdings taken on by the Bank as originator for the purpose of credit enhancement): None.

b. Information to be disclosed on holdings taken on by the Bank as originator for the purpose of credit enhancement: None.

c. Information to be disclosed on the Bank acting as a purchasing organization or a settlement purchasing organization for credit-impaired assets: None.

(C) Information to be disclosed on the Bank acting as a guarantee institution or providing liquidity financing credit lines: None.

C. Operational risk management system and required capital

2021 Operational Risk Management System

Item	Content
1. Operational risk management strategy and procedures	<ul style="list-style-type: none"> ■ Operational risk management strategy 1. The Bank has established a comprehensive risk management environment and has instilled operational risk management consciousness throughout personnel at all levels, including the Board of Directors, thereby enabling internalization of the Bank's risk management culture. 2. The Bank has established a risk management organization with clearly defined duties and powers in order to promote the implementation of bank-wide operational risk management. 3. In order to enhance the effectiveness of operational risk management, the Bank has drafted a clear operational risk management framework, implementation regulations, and guidelines complying with the competent authority's requirements. 4. The Bank implements independent and professional internal audits in order to check the effectiveness of operational risk management mechanisms. ■ Operational risk management procedures The Bank's operational risk management procedures include process cataloging, risk analysis, risk identification, risk assessment, risk monitoring, and risk reporting. Meanwhile, the Bank employs such management tools as risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD).
2. Operational risk management organization and structure	<p>The Bank's operational risk management organization comprises the Board of Directors, Risk Management Committee, Risk Management Department, Auditing Division, and other units. Roles of the operational risk management and responsibilities of personnel at various levels are as follows:</p> <ul style="list-style-type: none"> ■ Board of Directors: 1. Serving as the Bank's highest level of operational risk management decision-maker. 2. Ensuring the establishment of an appropriate risk management system and culture. 3. Approval of a bank-wide operational risk management framework and strategy, including operational risk policy, organization, and duties, and regular review of the aforesaid items. 4. Supervision of the functioning of operational risk management mechanisms to ensure their effectiveness. 5. Provision of clearly defined guidelines over the identification, assessment, communication, and supervision of operational risk. 6. Review of operational risk management reports and other risk-related information in order to gain an understanding of risk assumed by the Bank and ensure that internal resources are properly utilized and allocated. 7. Ensuring that the Bank's operational risk management framework has been subject to internal audits by independent, properly trained employees with the necessary skills.

Item	Content
	<ul style="list-style-type: none"> ■ Audit Committee: <ol style="list-style-type: none"> 1. The committee is composed of all of the Bank's independent directors, who shall total not fewer than three. One of them shall serve as convener, and at least one of them shall possess accounting or financial expertise. 2. The committee is responsible for reviewing the Bank's adopted or revised internal control system; evaluating the effectiveness of the internal control system; determining or revising procedures for the handling of major financial business actions involving the acquisition or disposal of assets and the trading of derivatives; reviewing matters that involve directors as stakeholders; reviewing major asset and derivative transactions, major lending cases, endorsements, and provision of guarantees; reviewing issuance or private offerings of equity-type securities; reviewing CPA appointment/discharge or remuneration; reviewing the appointment and discharge of financial and accounting or internal audit managers; reviewing annual and semi-annual financial statements; and reviewing other major matters stipulated by the Bank or the competent authority. ■ Risk Management Committee: <ol style="list-style-type: none"> 1. Review of the Bank's operational risk management policies and regulations, annual operational risk appetite, and proposals for operational risk management that call for Board approval. 2. Review of operational risk management mechanisms for applying for or launching new lines of business (self-started or out of strategic alliances). 3. Supervision of operational risk management. 4. Supervision of operational risk early warning, exception management, and countermeasures warranted. 5. Supervision of operational risk management at the Bank's leasing subsidiaries and U.S. operations. 6. Supervision of the setup of risk management mechanism of all departments and its implementation. 7. Review of the implementation of operational risk management. 8. Planning and drafting of operational risk management mechanisms in response to environmental, regulatory, or market changes. ■ Risk Management Department: This department is the Bank's second line of defense for controlling operational risk, and the Chief Risk Officer charged with supervising the Risk Management Department acts as the Bank's top manager responsible for supervision, management, and control of operational risk. <ol style="list-style-type: none"> 1. Drafting of bank-wide operational risk management and control strategy, policy, and procedures. 2. Drafting of consistent operational risk identification, assessment, monitoring, and mitigation standards applicable throughout the Bank. 3. Implementation of the independent operational risk management framework and decisions approved by the Board of Directors, and establishment of a bank-wide operational risk management system. 4. Formulation of the powers and responsibilities of the Risk Management Department and of management at various levels, as well as their relationships in the Bank's chain of command. 5. Coordination and communication with various units about operational risk management matters, and continued supervision of their implementation performance. 6. Compilation of bank-wide operational risk information and, depending on the nature of such information, reporting it to the Board of Directors, the president, or the Head of Risk Management Division charged with supervising the department. 7. Implementation of operational risk training. ■ Other units: <ol style="list-style-type: none"> 1. Act as the Bank's first line of defense for operational risk management, these relevant units are responsible for determining and managing regulations and handbooks concerning the operational risk of the business and matters under their management. Each unit must designate one person to serve as its operational risk manager, who is to collaborate with the Risk Management Department in performing first-line defense tasks in the control of operational risk associated with the business and matters under the unit's management. 2. Comply with and implement the Bank's operational risk management regulations, actively monitor and control operational risk associated with their respective duties and operations, and report to the appropriate superior or unit in accordance with regulations. 3. Identify operational risk within each unit, including its sources and contributing factors. 4. Assess the frequency and severity of risk generated by each unit's operational processes on a regular basis; supervise and track efforts to address the inadequacy in terms of risk control. 5. File regular reports on operational risk issues, including major operational risk exposure and losses as well as measures taken to improve risk control or operational processes. ■ Auditing Division: In accordance with the Bank's Principles for Three Lines of Defense for Internal Control, act as the third line of defense and assess and verify the effectiveness of the Bank's risk management and internal control mechanisms.
3. Scope and characteristics of operational risk reporting and assessment system	<p>The Bank employs risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD) as operational risk assessment and monitoring tools. The results thus obtained are compiled as qualitative or quantitative risk information of the relevant organization and operations. In turn, the Risk Management Department presents independent analytical reports to the Board of Directors and upper management, while implementation results are relayed to relevant departments and senior managers for their reference in drafting policies and allocating resources, thereby ensuring that the Bank puts its capital to optimal use.</p>

Item	Content
4. Operational risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools	The Bank makes use of appropriate outsourcing and control of tasks as an operational risk mitigation policy. One of the outsourced tasks is cash transport. The Bank relies on appropriate insurance as a hedging strategy for addressing certain types of operational risk. For both outsourcing and insurance, the Bank always sets down clearly defined cooperative relationships and legal agreements, thereby ensuring the quality of such cooperation, service reliability, and effectiveness of risk shifting.
5. Method for meeting statutory capital requirement	Basic indicator method (BIA) The Bank adopts the basic indicator method, spelled out in the An Explanation on Banks' Calculating Equity Capital and Risk-Weighted Assets—Calculating Operational Risk promulgated by the Financial Supervisory Commission, to calculate its operational risk charge. That is, the Bank shall hold capital for operational risk equal to the average over the previous three years of 15% of positive annual gross profit.

Required capital for operational risk

Base Date: Dec. 31, 2021
Unit: NT\$ thousands

Year	Gross Profit	Required Capital
2019	5,204,111	
2020	4,532,243	
2021	5,436,625	
Total	15,172,979	758,649

D. Market risk management system and required capital

2021 market risk management system

Item	Content
1. Market risk management strategy and procedures	<ul style="list-style-type: none"> ■ Market risk management strategy <ol style="list-style-type: none"> 1. The Bank takes a proactive stance toward rigorously managing market risk. 2. Transactions are one of the Bank's major earnings sources: money is made on accurately capturing swings in market risk factors (stock prices, exchange rates, and interest rates). The paramount principle is to earn reasonable rewards while keeping risk exposure under effective control. The Bank takes account of its own macroeconomic and industry analyses as well as those undertaken by peer institutions. Targets are determined after in-depth discussions among the President, trading departments, and the department charged with market risk management. Such targets approved by the Risk Management Committee, are submitted to the Board of Directors for approval. 3. In light of the risk attributes of various transactions, the Bank has in place clearly defined management regulations and risk management indicators that govern risk exposure limits, reporting of such limits being exceeded, and managerial personnel authorized for decision-making and countermeasures warranted under such circumstances. Priority is given to rigorous implementation in order to ensure that traders always adhere to trading discipline and that the Bank's market risk exposure is kept within a reasonable range. ■ Market risk management procedures <ol style="list-style-type: none"> 1. The planning of market risk transaction amounts for any given year is performed in conjunction with the compilation of business and financial budget targets. At the end of each year, trading departments submit their respective amount applications to the Risk Management Department's Market Risk Management Section. When reviewing such applications, the section also takes into account the Bank's overall budget targets and estimate of capital consumption under capital adequacy before moving on to propose bank-wide transaction quotas and an overall stop-loss threshold. These proposals are then submitted to the Risk Management Committee for review and the Board of Directors for approval. 2. Based on the aforesaid overall stop-loss threshold approved by the Board of Directors, the Risk Management Department's Market Risk Management Section goes on to draft monthly stop-loss limits for each product line, VaR limits, and MAT (management action trigger) limits. These, upon approval by the President, will serve as the basis for the Bank's market risk management.

Item	Content
<p>2. Market risk management organization and structure</p>	<ul style="list-style-type: none"> ■ The Board of Directors is the Bank’s highest supervisory body for market risk management: <ol style="list-style-type: none"> 1. When it comes to managing market risk inherent in various transactions, the bank-wide transaction quotas and overall loss threshold approved by the Board of Directors at the end of each year serve as the ultimate guidelines for market risk management. Based on the aforesaid overall stop-loss threshold for the coming year, the board authorizes the President to determine individual thresholds for various transactions by product. Currently, such stop-loss thresholds are imposed on three transaction categories: equities, interest rates, and exchange rates. 2. The board also performs annual assessment to determine whether the Bank’s performance in various transactions is consistent with preset business strategies and whether the assumed risk is within the Bank’s tolerable range. In the event of a major abnormality in transactions or an instance of management by exception, review or retroactive approval of the board is warranted. ■ The Audit Committee is charged with the control of the Bank’s existing or potential risks: <ol style="list-style-type: none"> 1. The committee is composed of all of the Bank’s independent directors, who shall total not fewer than three. One of them shall serve as convener, and at least one of them shall possess accounting or financial expertise. 2. The committee is responsible for reviewing the Bank’s adopted or revised internal control system; evaluating the effectiveness of the internal control system; determining or revising procedures for the handling of major financial business actions involving the acquisition or disposal of assets and the trading of derivatives; reviewing matters that involve directors as stakeholders; reviewing major asset and derivative transactions, major lending cases, endorsements, and provision of guarantees; reviewing issuance or private offerings of equity-type securities; reviewing CPA appointment/discharge or remuneration; reviewing the appointment and discharge of financial and accounting or internal audit managers; reviewing annual and semi-annual financial statements; and reviewing other major matters stipulated by the Bank or the competent authority. ■ The Risk Management Committee is a supervisory body responsible for setting market risk management guidelines and overseeing implementation of market risk management. <ol style="list-style-type: none"> 1. The Chairman shall chair the Risk Management Committee, whose member shall include at least two directors equipped with professions in risk management or finance, and appointed by the Board of Directors. The members shall also include the President, Head of Operation Management Division, Head of Legal & Compliance Division, Head of Business Strategy Division, Head of Risk Management Division, Head of Information Technology Division, Head of Financial Business Division, Head of Financial Market Division, and Head of Corporate Governance. 2. The committee shall gather relevant departments for risk management meetings to discuss and report issues with regard to risk management. In addition, the committee shall each year review market risk management guidelines and product quotas for transactions as well as the overall stop-loss threshold for the coming year that are to be proposed to the Board of Directors. ■ The Risk Management Department is the operating department responsible for implementing market risk management. In accordance with the Bank’s organizational rules, the Market Risk Management Section of the Risk Management Department bears responsibility for performing market risk management tasks with regard to planning, statistics, reporting, and monitoring.
<p>3. Scope and characteristics of market risk reporting and assessment system</p>	<p>An explanation is hereby given on the following three fronts—internal management regulations, framework of trading limits, and reporting procedures:</p> <ul style="list-style-type: none"> ■ Internal management regulations <p>Based on the risk attributes of equities, interest rates, and exchange rates, the Bank has in place management regulations and guidelines that spell out risk management indicators and risk exposure limits, as well as the reporting, decision-making, and responding mechanisms in the event of over-limit events.</p> ■ Framework of trading limits by product <ol style="list-style-type: none"> 1. To bolster the framework for managing market risk, the Risk Management Department takes into account the specific risk attributes of various products and sets VaR limits, MAT limits, 20-day average liquidity limits, and FS sensitivity limits that complement trading limits and stop-loss thresholds separately imposed on individual products. Upon approval of the President, the aforesaid complementary limits will serve as the basis for market risk management. 2. After the quotas of product holdings for trading departments become effective upon approval of the Board of Directors, the President shall also break down the aforesaid overall stop-loss threshold for distribution among trading departments, thereby authorizing the latter to set down their respective monthly stop-loss thresholds. In turn, heads of trading departments shall conduct allocations among traders and report these to the Risk Management Department in writing as the basis for risk control. ■ Reporting procedures <p>Against previously authorized trading limits, the Risk Management Department shall compile statistics on the risk exposure of trading departments and individual traders. In accordance with internal management regulations, it shall also submit risk reports, monitor over-limit events, and implement follow-up measures.</p>
<p>4. Market risk hedging or risk mitigation policy; strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools</p>	<ul style="list-style-type: none"> ■ All of the Bank’s trading departments put in place their respective limits on trading positions and loss thresholds as well as other control mechanisms. The Market Risk Management Division of Risk Management Department is responsible for managing such risk by monitoring and assessing risk exposure on a daily basis. ■ In terms of hedging transactions conducted for financial derivatives, the risk exposure and sensitivity of the said derivatives are taken into account in assessing the effectiveness of hedging. ■ The Bank regularly undergoes market risk sensitivity assessment and stress tests, the results of which are presented to the Risk Management Committee and Board of Directors.
<p>5. Method for meeting statutory capital requirement</p>	<p>Standardized approach</p>

Market risk required capital

Base Date: March 31, 2022
Unit: NT\$ thousands

Risk Type	Required Capital
Interest rate risk	315,901
Equity securities risk	40,274
Foreign Exchange rate risk	89,923
Product risk	-
Options (simplified approach)	17,495
Total	463,593

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

In terms of asset liquidity and funds gap liquidity management, the Bank has in place the Regulations on Managing Liquidity Risk and Interest Rate Risk, based on which various units are responsible for conducting cash flow control and compiling liquidity risk reports for submission to upper management on a regular basis. The Bank has also prepared a liquidity emergency plan to fill in any liquidity gap, reduce liquidity risk, and ensure smooth operations across the Bank.

Term Structure Analysis of New Taiwan Dollar-denominated Assets & Liabilities

Base Date: March 31, 2022
Unit: NT\$ thousands

	Total	Amounts remaining during the period prior to the due date					
		0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	More than 1 year
Major matured capital inflows	260,421,566	52,324,090	16,698,734	36,707,822	21,486,434	19,368,941	113,835,545
Major matured capital outflows	301,703,216	13,162,271	23,451,883	65,251,957	55,920,164	74,750,391	69,166,550
Capital gap	(41,281,650)	39,161,819	(6,753,149)	(28,544,135)	(34,433,730)	(55,381,450)	44,668,995

Note: This table contains only Taiwan dollar (excluding foreign currency) amounts at the Bank's headquarters and domestic branches.

Term Structure Analysis of U.S. Dollar-denominated Assets & Liabilities

Base Date: March 31, 2022
Unit: US\$ thousands

	Total	Amounts remaining during the period prior to the due date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	More than 1 year
Major matured capital inflows	4,113,247	1,601,522	900,312	493,939	274,639	842,835
Major matured capital outflows	4,302,631	1,611,453	1,267,305	582,236	332,183	509,454
Capital gap	(189,384)	(9,931)	(366,993)	(88,297)	(57,544)	333,381

Note: 1. The table contains U.S. dollar amounts at the Bank as a whole.

There is no need for reporting off-book amounts (e.g. planned issuance of NCDs, bonds, or equities).

2. Where offshore assets account for 10% or more of the bank's total assets, disclosure of supplementary information is warranted. (Branch assets accounted for 13.85% of the Bank's total assets as of March 2022.)

【Disclosure of supplementary Information】

Term Structure Analysis of U.S. Dollar-denominated Assets & Liabilities Hong Kong Branch

Base Date: March 31, 2022

Unit: US\$ thousands

	Total	Amounts remaining during the period prior to the due date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	Longer than 1 year
Major matured capital inflows	1,407,882	806,678	290,387	84,822	20,538	205,457
Major matured capital outflows	1,429,313	455,127	497,897	84,825	149,168	242,296
Capital gap	(21,431)	351,551	(207,510)	(3)	(128,630)	(36,839)

(2) Impact of major domestic and foreign policies and legal changes on the Bank's finances and operations as well as countermeasures

- January 22, 2021: Notice by the Jiangsu Provincial Financial Regulatory Bureau with regard to the province's Interim Measures for the Supervision and Management of Financial Leasing Companies (Su-Jin-Jian-Gui [2021] No. 1)
 1. The document was forwarded to relevant units at the Bank for their reference in business planning.
 2. It has yet to have any material impact on the Bank's finances or operations.
- January 27, 2021: The newly revised "Securities and Exchange Act" was promulgated (Presidential Order Hua-Zong-Yi-Jing-Zi No. 1100006091).
 1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- January 28, 2021: The newly revised "Regulations Governing Foreign Exchange Business of Banking Enterprises" was promulgated (Central Bank of R.O.C. Order Tai-Yang-Wai-Qi-Zi No. 1100005479).
 1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- February 24, 2021: The newly revised "Regulations Governing Issuance of Bank Debentures by Banks" was promulgated ((Financial Supervisory Commission Order Jin-Guan-Yin-Kong-Zi No. 11002704031).
 1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- March 18, 2021, September 23, 2021, and December 16, 2021: The newly revised "Regulations Governing the Extension of Mortgage Loans by Financial Institutions" was promulgated (Central Bank of R.O.C. Order Tai-Yang-Ye-Zi No. 1100011921, Tai-Yang-Ye-Zi No. 1100037726, and Tai-Yang-Ye-Zi No. 1100048812).
 1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- April 15, 2021: "Measures for the Administration of Combating Money Laundering and Financing of Terrorism by Banking Financial Institutions" (Order No.3 [2021] of the People's Bank of China)

(3) Impact of technological changes (including ICT security risks) and industrial changes on the Bank's finances and operations as well as countermeasures

Technological development is stimulating rapid changes in the financial industry, and is accelerating the financial industry's transformation. The industry's future developmental focal point will be financial service innovation, and cooperation between the financial industry and partners in other industries will be a source of future business opportunities. The Bank has always striven to provide customers with the most superior service. When changing to a commercial bank to cross over into personal financial services, which has been a leading trend in the financial industry, the Bank has embraced new thinking about digital finance, adopted advanced technologies to take advantage of opportunities in online banking. The Bank has introduced services including the online opening of domestic and foreign currency deposit accounts, online application for credit loans, robot wealth management, and 24-hour video customer service. The Bank has also joined strategic partners to package revolving loans around B2B2C and scene payment services. A common ecosystem of digital brands is thus created to help the Bank further develop competitive, inclusive digital financial services. On the other hand, ICT security is increasingly a risk management concern as fintech advances. Prior to introducing emerging technologies and applications, the Bank makes it a point to identify and mitigate the risks they may bring by conducting ICT security assessment across specifications, data protection, and technological utilization. Looking ahead to the future, the Bank will continue to monitor emerging financial technologies, and provide customers safe, simple, convenient, fun, and innovative financial services.

In addition, in order to monitor technological changes and reduce risk factors associated with abrupt changes in industry, the Bank conducts annual surveys and analysis of industry's economic conditions and development trends, and, in order to control industries credit limit, has adopted a policy of dispersing risks connected with credit, deposits, and investment, etc. Furthermore, in conjunction with employee education and training, the Bank has striven to increase the depth and breadth of employees' knowledge concerning economic conditions and industry. At the same time, we are relying on regular double-checking, strengthened post-loan management, strict control of asset quality, and maintenance of risk control discipline to minimize the Bank's risk.

(4) Impact of changes in the Bank's public image on its crisis management as well as countermeasures

The Bank has long maintained the business principles of professionalism, integrity, and stability. Apart from attentiveness to our core financial services and strengthening of risk control mechanisms, we also emphasize the maintenance of our corporate image, and consequently established a "Corporate Culture Promotion Committee" and "Corporate Social Responsibility Committee" in 2014 and 2015. The spirit of our corporate culture embodies the values of "Sincerity and Support" and we participate vigorously in arts & culture, education, and social welfare public-interest activities. We are contributing to society in many ways, and using our corporate capabilities to exert a positive influence on society. We are fulfilling our corporate social responsibilities, actively seeking to enhance our corporate image, and striving to be a trustworthy partner for our customers. The Bank's years of endeavors toward fulfilling corporate social responsibility have not gone unnoticed. Its first certification as a B Corporation in 2017 was reaffirmed in 2021 with a substantially higher overall B impact score. In the Company ESG Risk Ratings published by Sustainalytics in early 2021, the Bank ranked fourth in Taiwan's financial services industry. In 2021, the Bank ranked among the top 5% in the 7th evaluation of listed companies conducted by Taiwan Stock Exchange's Corporate Governance Center. In 2021, the Taiwan Corporate Governance Association granted the Bank a rating of excellence in its Corporate Governance System Assessment. Besides having become a Task Force on Climate-Related Financial Disclosures

Because the Bank currently has relatively few business locations, and because we must perform prudent analysis before establishing any new locations, which is necessary to ensure that all locations provide the greatest possible benefit, we are exposed to limited risk from the expansion of business locations.

Possible risk	Explanation	Countermeasures
Personnel or asset losses	Impairment of material assets due to natural disasters or other incidents	Premises security maintenance, safeguarding, emergency response drills, property insurance
Business disruptions and system crashes	Losses caused by business disruptions and system crashes	Offsite system backup plan and simulation as well as business continuity plan and simulation

Responding to the gradual relaxation of controls on cross-Strait finance, the Financial Supervisory Commission has issued regulations governing prior review, risk control, subsequent management and restrictions on total investment for domestic financial organizations establishing representative offices, branches, subsidiary banks, and equity participation in mainland China or the Hong Kong/Macau areas. The Bank will continue to take appropriate response and risk management measures in accordance with laws and regulations. The Bank established its first overseas branch in Hong Kong during April 2009, and subsequently established Tianjin representative office in April 2012. Looking ahead to the future, we will prudently assess the possibility of establishing further branches in order to expand our Chinese market.

In addition, we also plan to rely on the establishment of overseas locations by our subsidiaries to extend the Group's financial service scope. In 2011, the Bank's subsidiary IBT International Leasing Corp. invested in the establishment of leasing companies in China. After several years of development, these companies' sales are growing steadily, they have service locations in Suzhou, Nanjing, Dongguan, Zhongshan, and they are currently providing comprehensive financial services to SMEs and micro-enterprises in Yangtze River Delta and Pearl River Delta areas in China. We will continue to carefully select and establish business locations in the future. We also expect to draw on our leasing business platform to take advantage of business opportunities on both sides of the Taiwan Strait and complement our banking business. To capitalize on mainland China's growing consumer banking market, the Bank teamed up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to start preparations for Beijing Sunshine Consumer Finance Co., Ltd. and officially became operational in August 2020. The prospective joint venture is set to satisfy consumers in the Greater China market with a brand-new digital banking service. And in order to meet our corporate customers' global needs, our US subsidiary bank—the EverTrust Bank—has 8 business locations in the Greater Los Angeles and San Francisco area to meet local financial service needs.

(7) Risks incurred by business concentration and countermeasures

Our change to a commercial bank in 2017 has allowed us to expand our customer base from corporations to individuals. On top of corporate banking, retail banking, financial trading, and securities trading, the Bank has made inroads into the bills sector and invested in leasing operations on both sides of the Taiwan Strait, a commercial bank in the U.S., and a consumer banking venture in mainland China. With a diverse business reach extending beyond Taiwan to Hong Kong, mainland China, and the U.S., the Bank has effectively brought down the risk of business concentration as all these businesses are on track to healthy growth.

(8) Effect upon and risk to the Bank associated with any change in managerial control, as well as countermeasures: None.

- (4) Testing of network equipment, servers, and Internet of Things devices, and connection with the Internet: We perform penetration testing, website vulnerability scans, and inspection of server directory and website access rights, and database security settings, etc.
- (5) Customer-end applications programs: We perform testing of applications programs given to customers.
- (6) Inspection of security settings: We inspect server password setting principles and account number determination principles, the adequacy of firewall settings, operating system and antivirus software updating settings and updating status, and key storage protection mechanisms and access, etc.
- (7) Compliance inspection: We inspect computer systems to determine whether they meet the competent authority's standards.
- (8) Social engineering drills: We implement annual e-mail social engineering drills involving all employees, and conduct social engineering attack awareness and training.

In 2021, the implementation results found no high risk or major operating risk matters.

7. Crisis management and response mechanisms

In order to strengthen the Bank's ability to respond to major crises and disasters, the Bank has drafted the "Major Accident Emergency Response and Recovery Plan Implementation Guidelines". These guidelines contain emergency response measures and notification and handling principles for natural or man-made disasters, major epidemics, information system crashes, personal data invasion accidents, and liquidity crises. We have also strengthened our disaster prevention simulations, drills, and testing. In the event of an accident or disaster, we hope to eliminate or reduce damage to the Bank as quickly as possible, maintain the normal functioning of our banking services, and ensure the customers' rights and interests. Furthermore, in 2018, we established an emergency response committee platform and drafted "Emergency Response Committee Organizational Guidelines". The president serves as the chairperson of the Emergency Response Committee, which is tasked with ensuring that the Bank can notify relevant personnel in real-time in the event of a major accident, and integrate interdepartmental crisis handling.

The Bank is proactive to effectively control operational risk by conducting simulations of various crisis scenarios. An unscheduled drill, for instance, is held each year on allocating funds to the Bank's Interbank Funds Transfer Guarantee Special Account to guard against a balance shortfall outside business hours, a scenario that will adversely affect customers and tarnish our image due to the resultant halt to interbank funds withdrawals and transfers. Separately, the Bank also conducts annual information and business continuity exercises to ascertain that our remote backup information systems and major business operations can run smoothly in the event of any disaster serious enough to disrupt operations of the Bank's headquarters and information building.

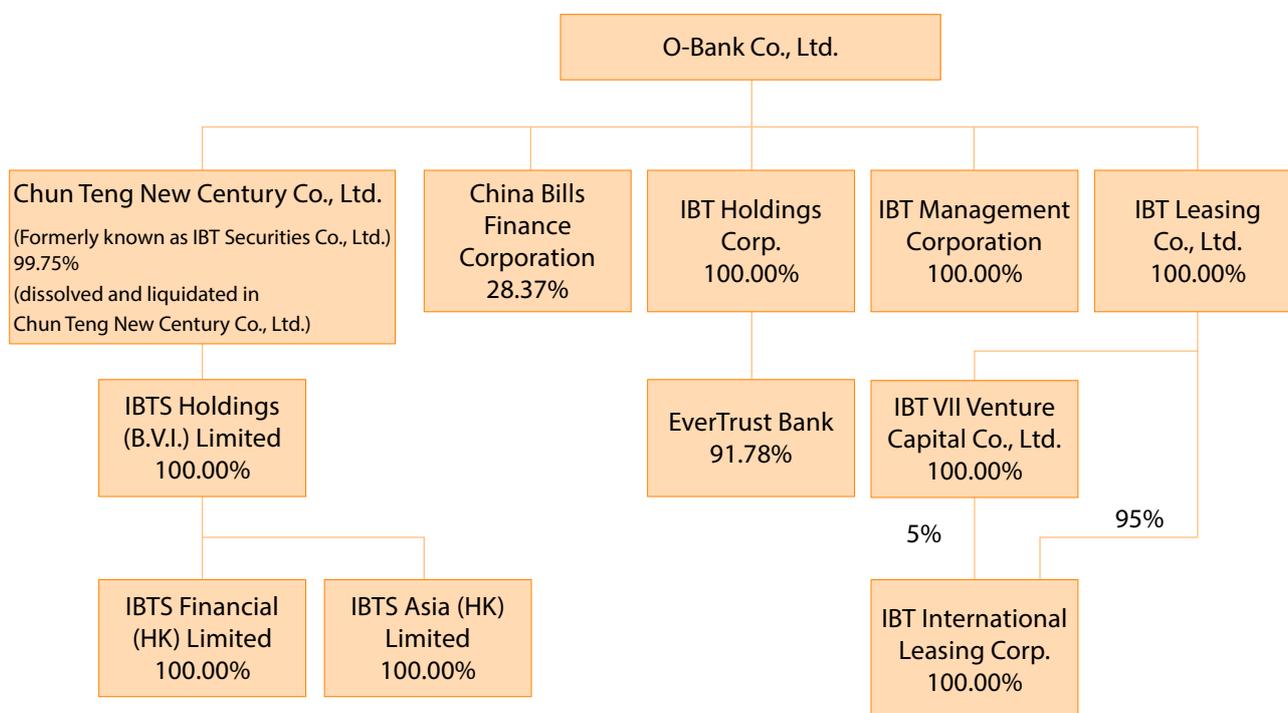
8. Other major items: None.

VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Organizational Chart

As of December 31,2021



(2) Backgrounds of Affiliated Companies

As of December 31,2021

Unit: NT\$thousands /US\$ thousands /HKD\$ thousands /RMB\$ thousands

Name of Company	Established Date	Address	Paid in Capital	Main Business
Chun Teng New Century Co., Ltd. (note2)	1961.12.9	6F, No.99, Sec.2,Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	382,906	1. Investment Business 2. Investment Consulting 3. Management Consulting 4. Other businesses not prohibited or restricted by law
IBTS Holdings (B.V.I.) Limited	2003.3.14	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	USD 3,831	Holding Company
IBTS Financial (HK) Limited	2003.5.26	Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong	USD 1,986	Financing Consulting
IBTS Asia (HK) Limited	2004.4.30	Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong	HKD 70,000	1. Securities Trading (Type1) 2. Provision of Consulting on Securities Trading (Type4)
IBT Management Corporation	2000.7.31	8F, No.99, Sec.2,Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	134,000	1. Investment Advisory Business 2. Business Management Advisory Business 3. Venture Capital Investment and Management Consulting Business
IBT VII Venture Capital Co., Ltd.	2014.8.12	6F, No.99, Sec.2,Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	650,000	Venture Capital Business

Name of Company	Established Date	Address	Paid in Capital	Main Business
China Bills Finance Corporation	1978.10.19	4F, No.99, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	13,429,600	1. H102011 Bills Finance 2. H301011 Securities Brokerage
IBT Holdings Corp.	2006.5.30	2 N. Lake Avenue, Suite 1030, Pasadena CA 91101 U.S.A.	USD 110,209	Financial Holding Company
EverTrust Bank	1994.9.19	2 N. Lake Avenue, Suite 1030, Pasadena CA 91101 U.S.A.	USD 118,402	Commercial Banking
IBT Leasing Co., Ltd.	2011.4.7	6F, No.99, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	2,880,870	Financing Leasing
IBT International Leasing Corp.	2011.3.15	Room A, 41F, No.265 East Suzhou Rd., Suzhou Industrial Park, China (Jiangsu) Pilot Free Trade Zone, P.R. China	RMB 410,061	Financing Leasing

Note:1. Exchanging rate on reporting date as of Dec. 31, 2021: USD 27.68967 · HKD3.55058 · RMB4.34525.

2. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

(3) Common Shareholders among Controlling and Controlled Entities: Not applicable.

(4) Backgrounds of directors, supervisors and presidents of affiliated companies

As of December 31, 2021
Unit: Shares/%

Name of Company	Title/Represented Institution	Name or Representative	Share Holding	
			No. of Shares	Ratio%
Chun Teng New Century Co., Ltd. (note1)	Supervisor : Yeh, Roy J.Y.			
IBTS Holdings (B.V.I.) Limited	Directors :			
	Chun Teng New Century Co., Ltd. Chun Teng New Century Co., Ltd.	Lin, Gordon W.C. Chao, Kai-Yun	3,831,428 3,831,428	100.00 100.00
IBTS Financial (HK) Limited	Directors :			
	IBTS Holdings (B.V.I.) Limited IBTS Holdings (B.V.I.) Limited	Chao, Kai-Yun Yang, Han-Wei	14,849,382 14,849,382	100.00 100.00
IBTS Asia (HK) Limited	Directors :			
	IBTS Holdings (B.V.I.) Limited	Chao, Kai-Yun	70,000,000	100.00
	IBTS Holdings (B.V.I.) Limited	Hung, Hui-Hsiu	70,000,000	100.00
	IBTS Holdings (B.V.I.) Limited	Yang, Han-Wei	70,000,000	100.00
	President :			
	Hung, Hui-Hsiu		0	0.00
IBT Management Corporation	Juridical-person director :			
	O-Bank Co., Ltd.	Yeh, Roy J.Y.	13,400,000	100.00
	O-Bank Co., Ltd.	Tang, Grace W.S.	13,400,000	100.00
	O-Bank Co., Ltd.	Chang, Sean W.H.	13,400,000	100.00
	O-Bank Co., Ltd.	Cheng, Wayne Y.W.	13,400,000	100.00
	Supervisor :			
	O-Bank Co., Ltd.	Chao, Tillie C.L.	13,400,000	100.00
President :				
	Tang, Grace W.S.		0	0.00
IBT VII Venture Capital Co., Ltd.	Juridical-person director :			
	IBT Leasing Co., Ltd.	Yeh, Roy J.Y.	65,000,000	100.00
	IBT Leasing Co., Ltd.	Tang, Grace W.S.	65,000,000	100.00
	IBT Leasing Co., Ltd.	Chao, Kai-Yun	65,000,000	100.00
	IBT Leasing Co., Ltd.	Chang, Sean W.H.	65,000,000	100.00
	IBT Leasing Co., Ltd.	Cheng, Wayne Y.W.	65,000,000	100.00
	Supervisor :			
IBT Leasing Co., Ltd.	Chao, Tillie C.L.	65,000,000	100.00	

Name of Company	Title/Represented Institution	Name or Representative	Share Holding	
			No.of Shares	Ratio%
China Bills Finance Corporation	Juridical-person director			
	O-Bank Co., Ltd.	Chang, David C.C.	380,981,600	28.37
	O-Bank Co., Ltd.	Wei, Jonathan C.H.	380,981,600	28.37
	O-Bank Co., Ltd.	Chang, Niel W.F.	380,981,600	28.37
	O-Bank Co., Ltd.	Siew, Joy C.Y.	380,981,600	28.37
	Ming Shan Investment Co., Ltd.	Lo, Mona I-Ru	1,509,600	0.11
	Hezhu Investment Co., Ltd.	Cheng, Si-Tsung	77,084,000	5.74
	Hezhu Investment Co., Ltd.	Peng, Tzu-Hou	77,084,000	5.74
	Hezhu Investment Co., Ltd.	Huang, Tang-Hsuan	77,084,000	5.74
	Independent Directors :			
	Wu, Wayne Wen-Ya		0	0.00
	Kuo, Chung-Ming		0	0.00
	Lin, Horng-Dar		0	0.00
President :				
Wei, Jonathan C.H.		0	0.00	
IBT Holdings Corp. (note 2)	Directors :			
	Lo, Tina Y.		0	0.00
	Peng, Henry W.		0	0.00
	Kung, Jesse C.K.		0	0.00
	President :			
Kung, Jesse C.K.		0	0.00	
EverTrust Bank (note 3)	Directors :			
	Lo, Tina Y.		0	0.00
	Kung, Jesse C.K.		0	0.00
	Hsieh, Charles		0	0.00
	Bloom, Steven N.		0	0.00
	Ho, Joanna		0	0.00
	Lee, Elton F.Y.		0	0.00
	Ross, John Thomas		0	0.00
	Chen, Steven Hsin-Chien		0	0.00
	Wang & Wang, LLC	Daine Wang Hsu	960,095	8.22
President :				
Charles Hsieh		0	0.00	
IBT Leasing Co., Ltd.	Juridical-person director :			
	O-Bank Co., Ltd.	Lin, Gordan W.C.	288,087,000	100.00
	O-Bank Co., Ltd.	Yeh, Roy J.Y.	288,087,000	100.00
	O-Bank Co., Ltd.	Wang, Steven H.P.	288,087,000	100.00
	O-Bank Co., Ltd.	Chien, Chih-Ming	288,087,000	100.00
	O-Bank Co., Ltd.	Huang, Angelia S.P.	288,087,000	100.00
	O-Bank Co., Ltd.	Wang, Graham	288,087,000	100.00
	Supervisor :			
	O-Bank Co., Ltd.	Hsu, Steven H.C.	288,087,000	100.00
President :				
Wang, Steven H.P.		0	0.00	

Name of Company	Title/Represented Institution	Name or Representative	Share Holding	
			No.of Shares	Ratio%
IBT International Leasing Corp. (note 4)	Juridical-person director :			
	IBT Leasing Co., Ltd.	Lin, Gordan W.C.	-	-
	IBT Leasing Co., Ltd.	Chien, Chih-Ming.	-	-
	IBT Leasing Co., Ltd.	Yeh, Roy J.Y	-	-
	IBT Leasing Co., Ltd.	Chuang, Charles M.C.	-	-
	IBT Leasing Co., Ltd.	Shao, Wen W.C.	-	-
	IBT Leasing Co., Ltd.	Wang, Graham	-	-
	IBT Leasing Co., Ltd.	Huang, Angelia S.P.	-	-
	Supervisor :			
	IBT Leasing Co., Ltd.	Hsu, Steven H.C.	-	-
President :				
Chuang, Charles M.C.			-	-

Note: 1. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

2. Shareholding of O-Bank Co., Ltd. to IBT Holdings Corp. : 10,869,286 shares : at a holding ratio of 100% °

3. Shareholding of IBT Holdings Corp. to EverTrust Bank : 10,713,699 shares : at a holding ratio of 91.78%.

4. IBT International Leasing Corp. is a limited company, not a company limited by shares.

(5) Performance of Affiliated Companies

As of December 31, 2021

Unit: NT\$ thousands /US\$ thousands /HKD\$ thousands /RMB\$ thousands

Name	Capital Stock	Total Assets	Total Liabilities	Net Worth	Operation Revenue	Profit from Operations	Net Income (after tax)	Earnings Per Share (in dollar) (after tax)
O-Bank Co., Ltd.	30,330,063	315,063,551	278,682,645	36,380,906	5,511,300	2,015,070	1,840,842	0.63
Chun Teng New Century Co., Ltd. (note2)	382,906	302,464	26	302,438	0	(2,964)	(4,967)	(0.13)
IBTS Holdings (B.V.I.) Limited	USD 3,831	USD 8,761	USD 14	USD 8,747	USD 0	USD (21)	USD (74)	USD (0.19)
IBTS Financial (HK) Limited	USD 1,986	USD 3,698	USD 4	USD 3,694	USD 391	USD 384	USD 387	USD 1.95
IBTS Asia (HK) Limited	HKD 70,000	HKD 26,635	HKD 18,020	HKD 8,615	HKD 10	HKD (3,450)	HKD (3,426)	HKD (0.49)
IBT Management Corporation	134,000	261,932	5,438	256,494	62,022	26,345	26,206	1.96
IBT VII Venture Capital Co., Ltd.	650,000	908,175	199,957	708,218	212,112	191,851	184,959	2.85
China Bills Finance Corporation	13,429,600	228,733,880	203,176,695	25,557,185	2,847,301	2,332,017	1,857,666	1.38
IBT Holdings Corp.	USD 110,209	USD 194,863	USD 0	USD 194,863	USD 0	USD 17,394	USD 11,282	USD 1.04
EverTrust Bank	USD 118,402	USD 995,389	USD 784,131	USD 211,258	USD 32,623	USD 17,407	USD 12,304	USD 1.05
IBT Leasing Co., Ltd.	2,880,870	8,925,462	5,619,153	3,306,309	248,025	44,497	564,818	1.96

O-Bank and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” as of and for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as those included in International Financial Reporting Standard 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Company name: O-BANK
Chairman: Tina Y. C. Lo
Date: March 16, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2021 are as follows:

Allowance for Credit Losses of Loans

The Bank is engaged principally in providing loans to customers. The Bank's management performed loans impairment assessment in accordance with the requirements of International Financial Reporting Standard 9, "Financial Instruments". In addition, the allowance for credit losses of loans was calculated and classified in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" (referred to as "Banking Institutions Regulations Governing the Procedures for Bad Debt").

For details about the accounting policy on the allowance for credit losses, refer to Note 4 to the accompanying consolidated financial statements; for details about the critical accounting judgments, estimations, and assumptions of loan impairment, refer to Note 5 to the accompanying consolidated financial statements; and for details about the allowance for credit losses, refer to Note 13 to the accompanying consolidated financial statements.

The Bank shall assess the classification of credit-granting assets and recognize allowance for credit losses of loans in accordance with the "Banking Institutions Regulations Governing the Procedures for Bad Debt". As the assessment and recognition of loss allowance involve subjective judgments, critical estimations and assumptions of the management, we have included the assessment of allowance for credit losses of loans as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matters described above are as follows:

- We obtained an understanding and performed testing on the internal controls in respect of the Bank's loan impairment assessment.
- We examined that the classifications of loans were in accordance with the "Banking Institutions Regulations Governing the Procedures for Bad Debt". We also recalculated the amount of the allowance for credit losses on loans and checked whether the Bank meets the requirement of the regulation or not.

Assessment of Reserve for Losses on Guarantee Contracts

The reserves set aside for the guarantee liabilities of China Bills Finance Corporation are in accordance with both the International Financial Reporting Standard 9, "Financial Instruments", whereby the expected losses on guarantee obligations generated by financial guarantee contracts are assessed, and the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt" (referred to as the "Bills Finance Companies Regulations for Evaluating Bad Debt"), whereby the reserves for guarantee liabilities are classified and made.

For details about the accounting policy on the reserve for guarantee liabilities, refer to Note 4 to the accompanying consolidated financial statements; for details about the critical accounting judgments, estimations and assumptions of the reserve for guarantee liabilities, refer to Note 5 to the accompanying consolidated financial statements; and for details about the reserve for guarantee liabilities, refer to Note 13 to the accompanying consolidated financial statements.

China Bills Finance Corporation assesses reserve for guarantee contracts involves subjective judgments, critical estimations and assumptions of the management. The classification of credit-granting assets and recognition of the reserve for guarantee contracts in accordance with the “Bills Finance Companies Regulations for Evaluating Bad Debt” influence the amounts of the reserve for guarantee contracts. Thus, we consider the assessment of reserve losses on guarantee contracts as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

- We understood the internal controls about the estimated impairment of reserve for losses on guarantee contracts and we tested the effectiveness of the operation of the controls.
- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management of China Bills Finance Corporation used to assess the reserve. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked whether the reserve meets the requirements of the “Bills Finance Companies Regulations for Evaluating Bad Debt” or not.

Other Matter

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

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuan-Hao Lee and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2022

Notice to Readers

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

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

O-BANK AND SUBSIDIARIES

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

ASSETS	2021		2020	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 6)	\$ 11,779,386	2	\$ 9,621,739	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	12,981,310	2	18,125,019	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 42)	151,899,447	27	162,494,696	28
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 42 and 46)	191,156,680	33	172,509,235	30
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 10)	5,364,108	1	4,732,882	1
RECEIVABLES, NET (Notes 11 and 13)	20,076,514	4	14,952,859	3
CURRENT TAX ASSETS	324,529	-	362,328	-
DISCOUNTS AND LOANS, NET (Notes 12, 13, 41 and 42)	172,727,589	30	183,710,973	32
INVESTMENT ACCOUNTED FOR USING EQUITY METHOD, NET (Note 16)	880,879	-	789,863	-
OTHER FINANCIAL ASSETS (Notes 17 and 42)	875,733	-	858,462	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 43)	2,545,050	1	2,672,567	1
RIGHT-OF-USE ASSETS, NET (Note 19)	332,938	-	429,678	-
INTANGIBLE ASSETS, NET (Note 20)	1,946,051	-	2,207,244	-
DEFERRED TAX ASSETS (Note 39)	900,743	-	895,887	-
OTHER ASSETS (Notes 19 and 21)	1,289,712	-	1,050,198	-
TOTAL	\$ 575,080,669	100	\$ 575,413,630	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits From the Central Bank and other banks (Note 22)	\$ 27,876,301	5	\$ 28,479,755	5
Financial liabilities at fair value through profit or loss (Note 8)	441,337	-	790,298	-
Bills and bonds sold under repurchase agreements (Note 23)	187,952,616	33	181,165,826	32
Payables (Note 24)	2,467,406	-	2,740,642	1
Current tax liabilities	238,572	-	172,428	-
Deposits and remittances (Notes 25 and 41)	259,379,425	45	267,719,672	47
Bank debentures payable (Note 26)	15,000,000	3	16,400,000	3
Other financial liabilities (Note 27)	20,580,832	4	18,102,763	3
Provisions (Notes 13, 28 and 29)	2,076,334	-	2,102,012	-
Lease liabilities (Note 19)	350,370	-	444,659	-
Deferred tax liabilities (Note 39)	830,510	-	793,255	-
Other liabilities (Note 30)	2,719,579	-	2,249,555	-
Total liabilities	519,913,282	90	521,160,865	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital				
Common stock	27,330,063	5	27,330,063	5
Preferred stock	3,000,000	1	3,000,000	-
Total capital	30,330,063	6	30,330,063	5
Capital surplus	6,734	-	5,966	-
Retained earnings				
Legal reserve	3,729,690	1	3,697,811	1
Special reserve	797,783	-	1,396,353	-
Unappropriated earnings	2,040,419	-	106,262	-
Total retained earnings	6,567,892	1	5,200,426	1
Other equity	(485,479)	-	57,744	-
Treasury stock	(38,304)	-	(38,304)	-
Total equity attributable to owners of the Bank	36,380,906	7	35,555,895	6
NON-CONTROLLING INTERESTS	18,786,481	3	18,696,870	3
Total equity (Note 31)	55,167,387	10	54,252,765	9
TOTAL	\$ 575,080,669	100	\$ 575,413,630	100

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

O-BANK AND SUBSIDIARIES

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

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 32 and 41)	\$ 6,830,219	73	\$ 7,733,670	96	(12)
INTEREST EXPENSE (Notes 32 and 41)	<u>(2,170,292)</u>	<u>(23)</u>	<u>(3,709,021)</u>	<u>(46)</u>	(41)
NET INTEREST	<u>4,659,927</u>	<u>50</u>	<u>4,024,649</u>	<u>50</u>	16
NET REVENUE OTHER THAN INTEREST REVENUE					
Service fee income, net (Notes 33 and 41)	2,458,570	26	2,037,365	25	21
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss (Note 34)	851,498	9	(199,950)	(3)	526
Realized gains on financial assets at fair value through other comprehensive income (Note 35)	410,622	5	418,865	5	(2)
Foreign exchange gain, net	619,970	7	1,734,406	22	(64)
Reversal of impairment loss (impairment loss) on assets	3,486	-	(5,203)	-	167
Share of profit (loss) of associates accounted for using equity method (Note 16)	94,846	1	(82,766)	(1)	215
Other net revenue other than interest (Note 41)	<u>215,893</u>	<u>2</u>	<u>129,125</u>	<u>2</u>	67
Total net revenue other than interest revenue	<u>4,654,885</u>	<u>50</u>	<u>4,031,842</u>	<u>50</u>	15
NET REVENUE	<u>9,314,812</u>	<u>100</u>	<u>8,056,491</u>	<u>100</u>	16
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 13)	<u>(553,924)</u>	<u>(6)</u>	<u>(599,286)</u>	<u>(7)</u>	(8)

(Continued)

O-BANK AND SUBSIDIARIES

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

	2021		2020		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
OPERATING EXPENSES					
Employee benefits expenses (Notes 36 and 41)	\$ 2,745,513	30	\$ 2,609,229	32	5
Depreciation and amortization expenses (Note 37)	637,957	7	628,777	8	1
Other general and administrative expenses (Notes 38 and 41)	<u>1,138,450</u>	<u>12</u>	<u>1,119,902</u>	<u>14</u>	2
Total operating expenses	<u>4,521,920</u>	<u>49</u>	<u>4,357,908</u>	<u>54</u>	4
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX					
	4,238,968	45	3,099,297	39	37
INCOME TAX EXPENSE (Note 39)	<u>1,034,348</u>	<u>11</u>	<u>785,791</u>	<u>10</u>	32
INCOME FROM CONTINUING OPERATIONS					
	3,204,620	34	2,313,506	29	39
LOSS FROM DISCONTINUED OPERATIONS (Note 14)					
	<u>(4,697)</u>	<u>-</u>	<u>(12,577)</u>	<u>-</u>	(63)
NET PROFIT FOR THE YEAR					
	<u>3,199,923</u>	<u>34</u>	<u>2,300,929</u>	<u>29</u>	39
OTHER COMPREHENSIVE INCOME (LOSS)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:					
Losses on remeasurements of defined benefit plans (Note 29)					
	(3,166)	-	(1,642)	-	93
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income					
	814,893	9	428,610	5	90
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 39)					
	<u>148</u>	<u>-</u>	<u>387</u>	<u>-</u>	(62)
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax					
	<u>811,875</u>	<u>9</u>	<u>427,355</u>	<u>5</u>	90

(Continued)

O-BANK AND SUBSIDIARIES

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

	2021		2020		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Components of other comprehensive income (loss) that will be reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	\$ (296,477)	(3)	\$ (466,094)	(6)	(36)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(1,459,302)	(16)	1,031,070	13	(242)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 39)	<u>166,687</u>	<u>2</u>	<u>(77,219)</u>	<u>(1)</u>	316
Components of other comprehensive income that will be reclassified to profit or loss, net of tax	<u>(1,589,092)</u>	<u>(17)</u>	<u>487,757</u>	<u>6</u>	(426)
Other comprehensive income (loss) for the year, net of tax	<u>(777,217)</u>	<u>(8)</u>	<u>915,112</u>	<u>11</u>	(185)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,422,706</u>	<u>26</u>	<u>\$ 3,216,041</u>	<u>40</u>	(25)
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,840,842	20	\$ 1,147,403	14	60
Non-controlling interests	<u>1,359,081</u>	<u>14</u>	<u>1,153,526</u>	<u>15</u>	18
	<u>\$ 3,199,923</u>	<u>34</u>	<u>\$ 2,300,929</u>	<u>29</u>	39
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,497,197	16	\$ 1,384,692	17	8
Non-controlling interests	<u>925,509</u>	<u>10</u>	<u>1,831,349</u>	<u>23</u>	(49)
	<u>\$ 2,422,706</u>	<u>26</u>	<u>\$ 3,216,041</u>	<u>40</u>	(25)

(Continued)

O-BANK AND SUBSIDIARIES

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

	2021		2020		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
EARNINGS PER SHARE (Note 40)					
From continuing and discontinued operations					
Basic	<u>\$0.63</u>		<u>\$0.41</u>		
Diluted	<u>\$0.57</u>		<u>\$0.37</u>		
From continuing operations					
Basic	<u>\$0.63</u>		<u>\$0.42</u>		
Diluted	<u>\$0.57</u>		<u>\$0.37</u>		

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

(Concluded)

O-BANK AND SUBSIDIARIES

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

Equity Attributable to Owners of the Bank (Notes 9 and 31)

	Common Stock		Capital Surplus		Capital Stock		Retained Earnings		Other Equity		Total Equity
	Common Stock	Preferred Stock	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Reversal of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Stock	Owners of the Bank	
BALANCE AT JANUARY 1, 2020	\$ 24,130,063	\$ 3,000,000	\$ 9,750	\$ 1,631,335	\$ 1,187,851	\$ 6,186,867	\$ (307,473)	\$ 239,996	\$ 33,259,203	\$ 17,557,074	\$ 50,816,277
Reversal of special reserve	-	-	-	(234,982)	234,982	-	-	-	-	-	-
Appropriation and distribution of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	330,130	-	(330,130)	-	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	(965,203)	(965,203)	-	-	(965,203)	-	(965,203)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	(127,500)	(127,500)	-	-	(127,500)	-	(127,500)
Unclaimed dividends	-	-	329	-	-	-	-	-	329	1,071	1,400
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	424	-	-	-	-	-	424	-	424
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(692,624)	(692,624)
Net profit for the year ended December 31, 2020	-	-	-	-	1,147,403	1,147,403	-	-	1,147,403	1,153,526	2,300,929
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(147)	(147)	(390,081)	627,517	237,289	677,823	915,112
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,147,256	1,147,256	(390,081)	627,517	1,384,692	1,831,349	3,216,041
Capital increase	3,200,000	-	(4,337)	-	(1,153,209)	(1,153,209)	-	-	2,042,254	-	2,042,254
Purchase of treasury stock	-	-	-	-	-	-	-	-	(38,304)	(38,304)	(38,304)
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	112,215	112,215	-	(112,215)	-	-	-
BALANCE AT DECEMBER 31, 2020	27,330,063	3,000,000	5,966	1,396,353	106,262	5,200,426	(697,554)	755,298	35,555,895	18,696,870	54,252,765
Reversal of special reserve	-	-	-	(598,570)	598,570	-	-	-	-	-	-
Appropriation and distribution of 2020 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	31,879	-	(31,879)	-	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	(545,454)	(545,454)	-	-	(545,454)	-	(545,454)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	(127,500)	(127,500)	-	-	(127,500)	-	(127,500)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	405	-	-	-	-	-	405	-	405
Unclaimed dividends	-	-	363	-	-	-	-	-	363	1,023	1,386
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(836,921)	(836,921)
Net profit for the year ended December 31, 2021	-	-	-	-	1,840,842	1,840,842	-	-	1,840,842	1,359,081	3,199,923
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(2,594)	(2,594)	(248,513)	(92,538)	(343,645)	(433,572)	(777,217)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,838,248	1,838,248	(248,513)	(92,538)	1,497,197	925,509	2,422,706
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	202,172	202,172	-	(202,172)	-	-	-
BALANCE AT DECEMBER 31, 2021	27,330,063	3,000,000	6,274	797,783	2,040,419	6,567,892	(946,067)	460,588	36,880,906	18,786,481	55,167,387

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

O-BANK AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 4,238,968	\$ 3,099,297
Loss from discontinued operations before tax	(4,697)	(12,577)
Adjustments for:		
Depreciation expense	359,168	355,499
Amortization expense	281,967	273,972
Expected credit losses/recognition of provisions	550,438	604,489
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(862,473)	197,210
Interest expense	2,170,292	3,709,021
Interest revenue	(6,830,219)	(7,734,166)
Dividends income	(250,765)	(185,587)
Share of loss (profit) of associates accounted for using equity method	(94,846)	82,766
Loss (gain) on disposal of property and equipment	(231)	678
Gain on disposal of investments	(159,857)	(233,278)
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	724,820	(2,208,714)
Financial assets at fair value through profit or loss	11,007,217	9,879,510
Financial assets at fair value through other comprehensive income	(18,548,806)	(28,308,801)
Bills and bonds purchased under resell agreements	(631,226)	(4,632,869)
Receivables	(5,349,722)	708,504
Discounts and loans	10,517,050	10,148,245
Deposits From the Central Bank and other banks	(603,454)	(14,959,643)
Financial liabilities at fair value through profit or loss	(348,961)	256,716
Bills and bonds sold under repurchase agreements	6,786,790	21,612,441
Payables	(169,006)	(590,067)
Deposits and remittances	(8,340,247)	1,987,848
Provisions	(18,494)	(24,656)
Cash used in operations	(5,576,294)	(5,974,162)
Interest received	6,951,157	8,355,148
Interest paid	(2,354,341)	(4,043,442)
Dividends received	261,363	199,115
Income taxes paid	(808,793)	(418,828)
Net cash flows used in operating activities	<u>(1,526,908)</u>	<u>(1,882,169)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	-	(863,564)
Acquisition of property and equipment	(97,062)	(92,019)
Proceeds from disposal of property and equipment	3,102	1,472
Increase in refundable deposits	(197,383)	(191,817)
Acquisition of intangible assets	(35,324)	(156,053)
Decrease in other financial assets	536,523	69,934

(Continued)

O-BANK AND SUBSIDIARIES

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

	2021	2020
Increase in other assets	\$ (42,131)	\$ -
Decrease in other assets	<u>-</u>	<u>58,393</u>
Net cash flows generated from (used in) investing activities	<u>167,725</u>	<u>(1,173,654)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	546,107	458,029
Increase in commercial papers	436,540	4,762,000
Proceeds from issuing bank debentures	1,500,000	-
Repayments of bank debentures	(2,900,000)	(2,300,000)
Proceeds from long-term borrowings	6,700,165	4,811,895
Repayments of long-term borrowings	(4,627,940)	(4,258,439)
Repayments of the principal portion of lease liabilities	(178,417)	(175,620)
Decrease in other financial liabilities	(533,398)	(620,641)
Increase in other liabilities	470,024	-
Decrease in other liabilities	-	(168,551)
Dividends paid to owners of the Bank	(672,954)	(1,092,703)
Capital increase	-	2,032,000
Payments to acquire treasury shares	-	(38,304)
Dividends paid to non-controlling interests	<u>(836,921)</u>	<u>(692,624)</u>
Net cash flows generated from (used in) financing activities	<u>(96,794)</u>	<u>2,717,042</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(251,471)</u>	<u>(306,047)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,707,448)	(644,828)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,905,644</u>	<u>17,550,472</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 15,198,196</u>	<u>\$ 16,905,644</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2021 and 2020:

	<u>December 31</u>	
	2021	2020
Cash and cash equivalents reported in the consolidated balance sheets	\$ 11,779,386	\$ 9,621,739
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	2,865,016	7,283,905
Other items qualifying for cash and cash equivalents under the definition of IAS 7	<u>553,794</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>\$ 15,198,196</u>	<u>\$ 16,905,644</u>

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

(Concluded)

O-BANK AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Co., Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Co., Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank debentures; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with debit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2021, the Bank has seven main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate Finance Department, Consumer Lending Department and Wealth Management Department. It also has five domestic branches - Zhongxiao Dunhua branch, Taoyuan branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEX") starting in August 2004. The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEX to the TWSE on May 5, 2017.

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

As of December 31, 2021 and 2020, the Bank and its subsidiaries (the "Group") had 1,545 and 1,453 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 16, 2022.

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

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively the “IFRSs”) endorsed and issued into effect by the FSC

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

Effect of interest rate benchmark reform

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

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

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

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

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first 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.

The Group assessed the application of the above standards would not have any material impact on the Group's financial position and financial performance. As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values and the net defined benefit liabilities (assets) recognized at the fair value of the assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Classification of Current and Non-Current Assets and Liabilities

Since the operating cycle in the banking industry could not be clearly identified, accounts included in the consolidated financial statements of the Group were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 46 for the maturity analysis of liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. The total comprehensive income of subsidiaries shall be attributed to the owners of the Bank and to the non-controlling interests, even if the balance becomes negative or loss is incurred.

Refer to Note 15, Table 5 and Table 6 for the list of main business activities and ownership percentages of subsidiaries.

Foreign Currencies

In preparing the Group's consolidated financial statements, transactions in currencies other than the Group's functional currency (i.e. foreign currencies) are recognized at the amount in original currency.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Bank (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Bank) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments in Associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but does not control or joint control such policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not remeasure the retained interest.

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

Financial Instruments

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

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

Financial assets

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

a. Measurement categories

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

1) Financial assets at FVTPL

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

Financial assets are designated as FVTPL in the original recognition. If it can eliminate or significantly reduce the measurement or recognition inconsistency.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 45.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- a) Purchased or originated credit impaired financial asset, for which interest revenue is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not initially credit impaired or not credit impaired when purchased but subsequently become credit impaired, for which the interest revenue is calculated by applying the effective interest rate to the amortized cost of such financial assets.

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

- a) Significant financial difficulty of the issuer or the borrower;
- b) Breach of contract, such as a default;
- c) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

3) Investments in debt instruments at FVTOCI

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

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

The Group's policy is to always recognize lifetime expected credit losses (i.e. ECLs) on trade receivables and lease receivables. For all other financial instruments, the Group will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the FSC, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers' financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

The Bank made minimum provisions of 1%, 2%, 10%, 50% and 100% for credit assets deemed to be uncollectable, to have highly doubtful collectability, to be substandard, to be noteworthy and to have sound credit (excluding assets that represent claims against an ROC government agency), respectively.

Furthermore, the Bank should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

In addition to valuating impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, China Bills Finance Corporation (CBF) will evaluate impairment loss, under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" issued by the authorities and the CBF's provision procedures, and recognize the higher of allowance of and debts between the above regulations expect.

The Group shall determine the unrecoverable claims and write them off after reporting them to the Board for approval.

c. Derecognition of financial assets

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

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

Equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

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

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

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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

Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. The fair value is determined in the manner described in Note 45.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Group are subsequently measured at the higher of:

- a) The amount of the loss allowance determined in accordance with IFRS 9; and
- b) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, assessment is also performed under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and “Regulation Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses; and the amount initially recognized less the cumulative amortization.

b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

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

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

Modification of financial instruments

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

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans issued by the FSC, loans and other credits (including accrued interests) that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the Board.

Under the “Regulation Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” issued by the FSC, receivables and the balances of guaranteed and endorsed credits that are unpaid within six months after maturity are transferred to non-accrual loans.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

Bills and bonds purchased under agreements to resell and bills and bonds sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest revenue or interest expenses over the term of each agreement.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Except of freehold land without depreciated, depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets Other than Goodwill

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

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

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

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

Provisions

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

Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provision.

Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Group that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection.

Revenue from brokering is recognized when the earnings process has been completed.

Dividend income from investments is recognized on the shareholders' right to receive payment. The premise is that the economic benefits related to the transaction. They are likely to flow into the Group and the amount of income can be reliably measured it.

Leases

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

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. The net defined benefit assets shall not exceed the present value with the refund withdrawal from the plan or the reduction of future withdrawals.

c. Staff preferential deposit

The Bank provides preferential deposit account for employees, which are used to pay fixed preferential deposits for current employees. The effect of the difference between the interest rate of these preferential deposits and the market interest rate is treated as employee benefits.

Share-based Payment Arrangements

The fair value at the grant date of the share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus. The payment is recognized as an expense in full at the grant date if vested immediately.

Taxation

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

a. Current tax

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

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

c. Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and Cash Equivalents

The cash and cash equivalent items in the consolidated balance sheet include cash on hand, demand deposits, and short-term and highly liquid investments that can be converted into fixed amount of cash at any time. They have little risk of change in value. For the consolidated statements of cash flows, the cash and cash equivalents account refers to the accounts in the consolidated balance sheets titled cash and cash equivalents, due from the Central Bank and call loans to banks, and call loans to securities firms that meet the definition of cash and cash equivalents in IAS 7 “Statement of Cash Flows” endorsed and issued into effect by the FSC.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated Impairment of Loans and Financial Guarantee Contract

The impairment of loans and financial guarantee contracts is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Group’s past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand and petty cash	\$ 83,873	\$ 70,930
Checking for clearing	75,133	451,158
Due from banks	<u>11,620,380</u>	<u>9,099,651</u>
	<u>\$ 11,779,386</u>	<u>\$ 9,621,739</u>

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets as of December 31, 2021 and 2020, refer to the consolidated statements of cash flows.

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Reserves for deposits - Type A	\$ 2,921,318	\$ 4,091,431
Reserves for deposits - Type B	5,166,200	5,521,144
Due from Central Bank - Financial	2,001,086	1,200,031
Call loans to banks	2,865,016	7,283,905
Others	<u>27,690</u>	<u>28,508</u>
	<u>\$ 12,981,310</u>	<u>\$ 18,125,019</u>

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Hybrid financial assets		
Convertible bonds - domestic (include assets swap contracts)	\$ 11,103,311	\$ 9,793,156
Structured debt	<u>557,116</u>	<u>577,236</u>
	<u>11,660,427</u>	<u>10,370,392</u>
Derivative financial assets		
Currency swap contracts	211,885	269,278
Forward contracts	40,823	30,816
Interest rate swap contracts	5,528	8,324
Currency option contracts - call	<u>4,630</u>	<u>8,028</u>
	<u>262,866</u>	<u>316,446</u>
Non-derivative financial assets		
Bills	95,940,011	106,494,789
Negotiable certificates of deposit	42,434,758	44,080,443
Stocks and beneficiary certificates	<u>1,601,385</u>	<u>1,232,626</u>
	<u>139,976,154</u>	<u>151,807,858</u>
	<u>\$ 151,899,447</u>	<u>\$ 162,494,696</u>
<u>Held-for-trading financial liabilities</u>		
Derivative financial instruments		
Currency swap contracts	\$ 273,190	\$ 682,233
Forward contracts	62,885	42,719
Interest rate swap contracts	9,311	18,334
Currency option contracts - put	4,289	8,030
Others	<u>40,404</u>	<u>37,022</u>
	<u>390,079</u>	<u>788,338</u>
Non-derivative financial liabilities		
When-issued government bonds	49,567	-
Commercial paper contracts	<u>1,691</u>	<u>1,960</u>
	<u>51,258</u>	<u>1,960</u>
	<u>\$ 441,337</u>	<u>\$ 790,298</u>

The Group engages in derivative transactions, including forward contracts, currency swap contracts and currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As for the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Group strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a high negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
Interest rate swap contracts	\$ 14,010,914	\$ 13,219,615
Currency swap contracts	99,978,371	58,701,818
Forward contracts	10,506,426	5,899,199
Currency option contracts		
Buy	388,971	368,196
Sell	307,351	368,196
Promised purchase contracts	12,900,000	12,800,000

As of December 31, 2021 and 2020, financial assets at fair value through profit and loss under agreement to repurchase were in the face amount of \$78,572,100 thousand and \$73,379,700 thousand, respectively.

Refer to Note 42 for information relating to financial assets at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Investments in equity instruments at FVTOCI	\$ 7,600,894	\$ 6,118,890
Investments in debt instruments at FVTOCI		
Government bonds	21,349,542	20,713,254
Bank debentures	34,596,305	38,028,140
Corporate bonds	86,613,703	74,779,579
Overseas government bonds	2,721,421	2,199,467
Mortgage backed securities	2,467,423	885,917
Commercial paper	6,384,497	-
Negotiable certificates of deposit	<u>29,422,895</u>	<u>29,783,988</u>
	<u>\$ 191,156,680</u>	<u>\$ 172,509,235</u>

a. Investments in equity instruments at FVTOCI

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

The Group disposed stock classified as at FVTOCI for invested management purpose for the years ended December 31, 2021 and 2020. The fair value of stocks classified as at FVTOCI which had to be disposed of were \$2,118,890 thousand and \$2,948,771 thousand and the accumulated gain related to the sold assets of \$202,172 thousand and \$112,215 thousand, respectively, were transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$250,765 thousand and \$185,587 thousand were recognized in profit or loss for the years ended December 31, 2021 and 2020. The dividends related to investments held at the end of the reporting period were \$216,430 thousand and \$180,810 thousand, respectively.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 42 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 46 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of \$99,219,428 thousand and \$98,234,855 thousand as of on December 31, 2021 and 2020, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

As of December 31, 2021 and 2020, bonds and bills in the amounts of \$5,364,108 thousand and \$4,732,882 thousand, respectively, had been purchased under resell agreements, would subsequently be sold for \$5,365,201 thousand and \$4,734,256 thousand before February 2022 and March 2021, respectively. As of December 31, 2021 and 2020, bonds and bills purchased under resell agreements were sold under repurchase agreements in the face amount of \$5,330,000 thousand and \$4,726,100 thousand, respectively.

11. RECEIVABLES, NET

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Lease payment receivable	\$ 17,072,141	\$ 12,727,198
Factored receivable	1,568,952	869,297
Interest receivable	980,147	1,098,072
Accounts receivable	1,557,850	1,077,159
Investment settlements receivable	88,899	92,502
Acceptances receivable	84,266	43,447
Settlement accounts receivable - trusteeship	60,580	82,227
Others	<u>145,595</u>	<u>101,479</u>
	21,558,430	16,091,381
Less: Unrealized interest revenue	976,710	707,317
Allowance for credit losses	<u>505,206</u>	<u>431,205</u>
Receivables, net	<u>\$ 20,076,514</u>	<u>\$ 14,952,859</u>

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the years ended December 31, 2021 and 2020 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 15,070,846	\$ 86,938	\$ 226,280	\$ 15,384,064
Transfers				
To 12-month ECLs	6,718	(6,717)	(1)	-
To lifetime ECLs	(243,747)	243,747	-	-
To credit-impaired financial assets	(318)	(170,766)	171,084	-
New financial assets purchased or originated	23,168,363	35,373	2,017	23,205,753
Derecognition of financial assets	(17,755,198)	(49,206)	(95,119)	(17,899,523)
Write-offs	-	-	(51,147)	(51,147)
Exchange rate or other changes	<u>(52,591)</u>	<u>(3,540)</u>	<u>(1,296)</u>	<u>(57,427)</u>
Balance at December 31, 2021	<u>\$ 20,194,073</u>	<u>\$ 135,829</u>	<u>\$ 251,818</u>	<u>\$ 20,581,720</u>
Balance at January 1, 2020	\$ 16,348,342	\$ 190,010	\$ 425,106	\$ 16,963,458
Transfers				
To 12-month ECLs	8,417	(8,403)	(14)	-
To lifetime ECLs	(164,596)	164,596	-	-
To credit-impaired financial assets	(44,590)	(79,400)	123,990	-
New financial assets purchased or originated	14,544,657	18,043	11	14,562,711
Derecognition of financial assets	(15,665,790)	(199,108)	(228,769)	(16,093,667)
Write-offs	-	-	(93,384)	(93,384)
Exchange rate or other changes	<u>44,406</u>	<u>1,200</u>	<u>(660)</u>	<u>44,946</u>
Balance at December 31, 2020	<u>\$ 15,070,846</u>	<u>\$ 86,938</u>	<u>\$ 226,280</u>	<u>\$ 15,384,064</u>

Rental equipment is held as collateral for the lease payment receivable. The Group is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

The Group provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 13 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 46 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	December 31	
	2021	2020
Short-term	\$ 61,988,195	\$ 55,209,054
Medium-term	87,064,663	102,429,234
Long-term	25,363,949	27,583,799
Export bill negotiated	91,416	1,222
Guaranteed overdraft	138,453	142,971
Overdue loans	649,859	704,710
Accounts receivables financing	<u>-</u>	<u>102,706</u>
	175,296,535	186,173,696
Less: Allowance for credit losses	<u>2,568,946</u>	<u>2,462,723</u>
	<u>\$ 172,727,589</u>	<u>\$ 183,710,973</u>

The changes in gross carrying amount on discounts and loans for the years ended December 31, 2021 and 2020 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 167,034,025	\$ 17,442,689	\$ 1,696,982	\$ 186,173,696
Transfers				
To 12-month ECLs	2,178,996	(2,175,684)	(3,312)	-
To lifetime ECLs	(1,837,260)	1,837,260	-	-
To credit-impaired financial assets	(124,116)	(10,627)	134,743	-
New financial assets purchased or originated	88,801,008	8,335,568	386,480	97,523,056
Derecognition of financial assets	(93,977,152)	(12,281,830)	(620,015)	(106,878,997)
Write-offs	-	-	(350,610)	(350,610)
Exchange rate or other changes	<u>(790,643)</u>	<u>(371,835)</u>	<u>(8,132)</u>	<u>(1,170,610)</u>
Balance at December 31, 2021	<u>\$ 161,284,858</u>	<u>\$ 12,775,541</u>	<u>\$ 1,236,136</u>	<u>\$ 175,296,535</u>
Balance at January 1, 2020	\$ 177,477,719	\$ 16,398,011	\$ 3,082,728	\$ 196,958,458
Transfers				
To 12-month ECLs	229,306	(214,268)	(15,038)	-
To lifetime ECLs	(1,810,042)	1,810,042	-	-
To credit-impaired financial assets	(60,114)	(213,239)	273,353	-
New financial assets purchased or originated	87,813,038	10,943,398	389,554	99,145,990
Derecognition of financial assets	(94,749,782)	(10,895,101)	(1,508,333)	(107,153,216)
Write-offs	-	-	(617,019)	(617,019)
Exchange rate or other changes	<u>(1,866,100)</u>	<u>(386,154)</u>	<u>91,737</u>	<u>(2,160,517)</u>
Balance at December 31, 2020	<u>\$ 167,034,025</u>	<u>\$ 17,442,689</u>	<u>\$ 1,696,982</u>	<u>\$ 186,173,696</u>

The balance of the overdue loans of the Group as of December 31, 2021 and 2020 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$21,641 thousand and \$23,762 thousand for the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 42 for information relating to discounts and loan assets pledged as security.

The Group provides an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 13 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 46 for the impairment loss analysis of discounts and loans.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The change in allowance for credit loss and provisions for the years ended December 31, 2021 and 2020 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2021	\$ 220,734	\$ 25,785	\$ 175,691	\$ 422,210	\$ 8,995	\$ 431,205
Transfers						
To 12-month ECLs	15	(15)	-	-	-	-
To lifetime ECLs	(7,240)	7,240	-	-	-	-
To credit-impaired financial assets	(181)	(63,234)	63,415	-	-	-
New financial assets purchased or originated	60,806	18,739	270	79,815	-	79,815
Derecognition of financial assets	(2,540)	(70)	(79,571)	(82,181)	-	(82,181)
Change in model or risk parameters	203	39,698	53,523	93,424	-	93,424
Difference between IFRS 9 and local requirements	-	-	-	-	6,734	6,734
Write-offs	-	-	(51,147)	(51,147)	-	(51,147)
Withdrawal after write-offs	-	-	29,681	29,681	-	29,681
Exchange rate or other changes	(801)	(107)	(1,368)	(2,276)	(49)	(2,325)
Balance at December 31, 2021	<u>\$ 270,996</u>	<u>\$ 28,036</u>	<u>\$ 190,494</u>	<u>\$ 489,526</u>	<u>\$ 15,680</u>	<u>\$ 505,206</u>
Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2021	\$ 530,975	\$ 194,967	\$ 352,887	\$ 1,078,829	\$ 1,383,894	\$ 2,462,723
Transfers						
To 12-month ECLs	60,664	(60,662)	(2)	-	-	-
To lifetime ECLs	(11,553)	11,553	-	-	-	-
To credit-impaired financial assets	(61,599)	(5,281)	66,880	-	-	-
New financial assets purchased or originated	164,073	22,718	67,406	254,197	-	254,197
Derecognition of financial assets	(273,884)	(53,561)	(218,053)	(545,498)	-	(545,498)
Change in model or risk parameters	(22,162)	301	303,470	281,609	-	281,609
Difference between IFRS 9 and local requirements	-	-	-	-	476,026	476,026
Write-offs	-	-	(350,610)	(350,610)	-	(350,610)
Withdrawal after write-offs	-	-	16,424	16,424	-	16,424
Exchange rate or other changes	(4,437)	(1,715)	(39)	(6,191)	(19,734)	(25,925)
Balance at December 31, 2021	<u>\$ 382,077</u>	<u>\$ 108,320</u>	<u>\$ 238,363</u>	<u>\$ 728,760</u>	<u>\$ 1,840,186</u>	<u>\$ 2,568,946</u>

Reserve for Losses on Guarantees Contracts and Financing Commitments	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2021	\$ 131,948	\$ 21,026	\$ -	\$ 152,974	\$ 1,686,303	\$ 1,839,277
Transfers						
To 12-month ECLs	2,833	(2,833)	-	-	-	-
New financial assets purchased or originated	94,994	5,976	-	100,970	-	100,970
Derecognition of financial assets	(100,365)	(5,770)	-	(106,135)	-	(106,135)
Change in model or risk parameters	(7,431)	(2,799)	-	(10,230)	-	(10,230)
Difference between IFRS 9 and local requirements	-	-	-	-	5,193	5,193
Withdrawal after write-offs	-	-	-	-	13,936	13,936
Exchange rate or other changes	(368)	(139)	-	(507)	3	(504)
Balance at December 31, 2021	<u>\$ 121,611</u>	<u>\$ 15,461</u>	<u>\$ -</u>	<u>\$ 137,072</u>	<u>\$ 1,705,435</u>	<u>\$ 1,842,507</u>

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 196,173	\$ 35,928	\$ 226,869	\$ 458,970	\$ 21,314	\$ 480,284
Transfers						
To 12-month ECLs	2,714	(2,078)	(6)	-	-	-
To lifetime ECLs	(11,480)	11,480	-	-	-	-
To credit-impaired financial assets	(1)	(42,872)	42,873	-	-	-
New financial assets purchased or originated	33,282	23,932	400	57,614	-	57,614
Derecognition of financial assets	(1,749)	(116)	(43,121)	(44,986)	-	(44,986)
Change in model or risk parameters	(12)	4	84	76	-	76
Difference between IFRS 9 and local requirements	-	-	-	-	(12,043)	(12,043)
Write-offs	-	-	(93,384)	(93,384)	-	(93,384)
Withdrawal after write-offs	-	-	42,139	42,139	-	42,139
Exchange rate or other changes	1,807	137	(163)	1,781	(276)	1,505
Balance at December 31, 2020	<u>\$ 220,734</u>	<u>\$ 25,785</u>	<u>\$ 175,691</u>	<u>\$ 422,210</u>	<u>\$ 8,995</u>	<u>\$ 431,205</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 265,977	\$ 77,304	\$ 403,522	\$ 746,803	\$ 1,965,426	\$ 2,712,229
Transfers						
To 12-month ECLs	7,704	(1,278)	(6,426)	-	-	-
To lifetime ECLs	(2,449)	2,449	-	-	-	-
To credit-impaired financial assets	(170)	(1,901)	2,071	-	-	-
New financial assets purchased or originated	279,649	83,320	348,907	711,876	-	711,876
Derecognition of financial assets	(113,769)	(16,615)	(184,184)	(314,568)	-	(314,568)
Change in model or risk parameters	100,097	53,160	375,301	528,558	-	528,558
Difference between IFRS 9 and local requirements	-	-	-	-	(538,855)	(538,855)
Write-offs	-	-	(617,019)	(617,019)	-	(617,019)
Withdrawal after write-offs	-	-	31,597	31,597	-	31,597
Exchange rate or other changes	(6,064)	(1,472)	(882)	(8,418)	(42,677)	(51,095)
Balance at December 31, 2020	<u>\$ 530,975</u>	<u>\$ 194,967</u>	<u>\$ 352,887</u>	<u>\$ 1,078,829</u>	<u>\$ 1,383,894</u>	<u>\$ 2,462,723</u>

Reserve for Losses on Guarantees Contracts and Financing Commitments	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 75,284	\$ 4,380	\$ -	\$ 79,664	\$ 1,531,119	\$ 1,610,783
Transfers						
To 12-month ECLs	111	(111)	-	-	-	-
To lifetime ECLs	(413)	413	-	-	-	-
New financial assets purchased or originated	96,312	16,697	-	113,009	-	113,009
Derecognition of financial assets	(44,223)	(2,573)	-	(46,796)	-	(46,796)
Change in model or risk parameters	5,650	2,242	-	7,892	-	7,892
Difference between IFRS 9 and local requirements	-	-	-	-	137,509	137,509
Withdrawal after write-offs	-	-	-	-	18,125	18,125
Exchange rate or other changes	(773)	(22)	-	(795)	(450)	(1,245)
Balance at December 31, 2020	<u>\$ 131,948</u>	<u>\$ 21,026</u>	<u>\$ -</u>	<u>\$ 152,974</u>	<u>\$ 1,686,303</u>	<u>\$ 1,839,277</u>

14. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (the former IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders' meeting on May 25, 2016. Total price of transfer was \$390,000 thousand, and set the business transfer date was set on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, and was dissolved and liquidated on November 11, 2016 which had been approved by the board of directors' in their meeting on October 17, 2016.

From September 30, 2016, the self-operating and new financial assets business of the operating department of the subsidiary has ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial report regarded the operating department above as discontinued operations.

The details and cash flows information of discontinued operations are exhibited below:

	For the Year Ended December 31	
	2021	2020
Interest revenue	\$ 167	\$ 1,717
Interest expenses	<u>-</u>	<u>-</u>
Net interest	<u>167</u>	<u>1,717</u>
Net revenue other than interest		
Gain on financial assets and liabilities measured at fair value through profit or loss	10,975	2,740
Foreign exchange gain, net	-	11
Other net revenue (loss) other than interest	<u>141</u>	<u>(203)</u>
Total net revenue other than interest	<u>11,116</u>	<u>2,548</u>
Net revenue	<u>11,283</u>	<u>4,265</u>
Operating expenses		
Employee benefits expenses	7,951	7,063
Depreciation and amortization expense	3,178	694
Others general and administrative expenses	<u>5,121</u>	<u>8,549</u>
Total operating expenses	<u>16,250</u>	<u>16,306</u>
Income tax expense	<u>-</u>	<u>-</u>
Loss from discontinued operations before elimination	(4,967)	(12,041)
Elimination of transactions with related parties	<u>270</u>	<u>(536)</u>
Loss from discontinued operations	<u>\$ (4,697)</u>	<u>\$ (12,577)</u>
Loss from discontinued operations attributable to:		
Owners of the Bank	\$ (4,685)	\$ (12,545)
Non-controlling interests	<u>(12)</u>	<u>(32)</u>
	<u>\$ (4,697)</u>	<u>\$ (12,577)</u>

(Continued)

	For the Year Ended December 31	
	2021	2020
Net cash flows used in operating activities	\$ (274)	\$ (24,295)
Net cash flows generated from investing activities	55	208
Net cash flows used in financing activities	(2,790)	-
Effects of exchange rate changes on cash and cash equivalents	<u>5,983</u>	<u>9,588</u>
Net cash inflow (outflow)	<u>\$ 2,974</u>	<u>\$ (14,499)</u> (Concluded)

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	<u>% of Ownership</u>		Remark	Audited by CPA
			<u>December 31</u>			
			2021	2020		
The Bank	China Bills Finance Co. (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	Founded in 1978	Yes
	IBT Holding Corp. (IBTH)	Holding company	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	Founded in 2000	Yes
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	Yes
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	Founded in 2011 in mainland China (commonly held with IBT VII)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	Founded in 2014	Yes
Chun Teng New Century Co., Ltd. (formerly IBTS)	IBTS Holding B.V.I. Limited (IBTSH)	Holding company	100.00	100.00	Founded in 2003 in the British Virgin Islands	Yes
IBTSH	IBTS Financial (HK) Limited	Investment	100.00	100.00	Founded in 2003 in Hong Kong	Yes
IBTH	IBTS Asia (HK) Limited	Securities and investment	100.00	100.00	Founded in 2004 in Hong Kong	Yes
	EverTrust Bank	Banking	91.78	91.78	Founded in 1994 in California	Yes

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		<u>December 31</u>	
		2021	2020
CBF	Taipei	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	<u>December 31</u>	
	2021	2020
<u>CBF</u>		
Equity attributable to:		
Owners of CBF	\$ 7,250,266	\$ 7,219,701
Non-controlling interests of CBF	<u>18,306,919</u>	<u>18,229,741</u>
	<u>\$ 25,557,185</u>	<u>\$ 25,449,442</u>

	For the Year Ended December 31	
	2021	2020
Net revenue	<u>\$ 2,847,301</u>	<u>\$ 2,507,171</u>
Net profit from continuing operations	\$ 1,857,666	\$ 1,578,242
Other comprehensive income (loss) for the year	<u>(582,975)</u>	<u>981,173</u>
Total comprehensive income for the year	<u>\$ 1,274,691</u>	<u>\$ 2,559,415</u>
Profit attributable to:		
Owners of CBF	\$ 526,998	\$ 447,728
Non-controlling interests of CBF	<u>1,330,668</u>	<u>1,130,514</u>
	<u>\$ 1,857,666</u>	<u>\$ 1,578,242</u>
Total comprehensive income attributable to:		
Owners of CBF	\$ 361,615	\$ 726,075
Non-controlling interests of CBF	<u>913,076</u>	<u>1,833,340</u>
	<u>\$ 1,274,691</u>	<u>\$ 2,559,415</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (1,536,468)	\$ 4,856,260
Investing activities	41,743	(5,100)
Financing activities	<u>1,784,603</u>	<u>(4,831,171)</u>
Net cash inflow	<u>\$ 289,878</u>	<u>\$ 19,989</u>
Dividends paid to non-controlling interests of CBF	<u>\$ 836,921</u>	<u>\$ 692,624</u>

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Investments in Associates

	December 31	
	2021	2020
Associates - Beijing Sunshine Consumer Finance Co., Ltd.	<u>\$ 880,879</u>	<u>\$ 789,863</u>

The investment in Beijing Sunshine Consumer Finance Co., Ltd., was jointly invested by the Bank, China Everbright Bank and China CYTS Tours Holding. The Bank's investment amounted to RMB200,000 thousand with the shareholding ratio of 20%, and Beijing Sunshine Consumer Finance Co., Ltd. has begun operation since August 17, 2020.

Refer to Table 5 "Name, locations and other information of investees on which the Bank exercises significant influence" and Table 6 "Information on Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associate.

The financial information of the Bank's affiliates is as follows:

	<u>December 31</u>	
	2021	2020
Total assets	<u>\$ 51,554,378</u>	<u>\$ 13,752,736</u>
Total liabilities	<u>\$ 47,149,983</u>	<u>\$ 9,803,422</u>
	For the Year Ended December 31	
	2021	2020
Net profit (loss) for the year	<u>\$ 474,228</u>	<u>\$ (413,832)</u>
Total other comprehensive income (loss) for the year	<u>\$ 474,228</u>	<u>\$ (413,832)</u>

17. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	2021	2020
Time deposits with original maturities more than 3 months	\$ 9,414	\$ 57,843
Pledged time deposits	232,100	744,108
Compensation account for payment	36,310	15,500
Call loans to securities corporation limited	553,794	-
Others	<u>44,115</u>	<u>41,011</u>
	<u>\$ 875,733</u>	<u>\$ 858,462</u>

18. PROPERTY AND EQUIPMENT

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts of each class of</u>		
Land	\$ 781,970	\$ 781,970
Buildings	1,239,222	1,284,858
Machinery and computer equipment	304,007	326,010
Transportation equipment	24,886	31,574
Office and other equipment	49,632	65,234
Lease improvement	125,143	161,712
Construction in progress and prepayments for equipment	<u>20,190</u>	<u>21,209</u>
	<u>\$ 2,545,050</u>	<u>\$ 2,672,567</u>

The movements of property and equipment for the years ended December 31, 2021 and 2020 are summarized as follows:

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 781,970	\$ 1,905,429	\$ 842,003	\$ 80,683	\$ 282,030	\$ 393,822	\$ 21,209	\$ 4,307,146
Additions	-	744	35,674	5,860	7,684	16,365	30,735	97,062
Disposals and scrapped	-	-	(32,332)	(9,305)	(5,151)	(827)	-	(47,615)
Reclassification	-	-	11,823	60	584	2,289	(31,608)	(16,852)
Effect of foreign currency exchange differences	-	-	(934)	(300)	(1,565)	(4,458)	(146)	(7,403)
Balance at December 31, 2021	<u>\$ 781,970</u>	<u>\$ 1,906,173</u>	<u>\$ 856,234</u>	<u>\$ 76,998</u>	<u>\$ 283,582</u>	<u>\$ 407,191</u>	<u>\$ 20,190</u>	<u>\$ 4,332,338</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 620,571	\$ 515,993	\$ 49,109	\$ 216,796	\$ 232,110	\$ -	\$ 1,634,579
Disposals and scrapped	-	-	(31,790)	(7,162)	(4,966)	(826)	-	(44,744)
Depreciation expense	-	46,380	69,177	10,302	22,928	53,627	-	202,414
Reclassification	-	-	(429)	-	429	-	-	-
Effect of foreign currency exchange differences	-	-	(724)	(137)	(1,237)	(2,863)	-	(4,961)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 666,951</u>	<u>\$ 552,227</u>	<u>\$ 52,112</u>	<u>\$ 233,950</u>	<u>\$ 282,048</u>	<u>\$ -</u>	<u>\$ 1,787,288</u>
<u>Carrying amounts</u>								
Balance at December 31, 2021	<u>\$ 781,970</u>	<u>\$ 1,239,222</u>	<u>\$ 304,007</u>	<u>\$ 24,886</u>	<u>\$ 49,632</u>	<u>\$ 125,143</u>	<u>\$ 20,190</u>	<u>\$ 2,545,050</u>
<u>Cost</u>								
Balance at January 1, 2020	\$ 781,970	\$ 1,898,849	\$ 809,120	\$ 78,739	\$ 280,283	\$ 373,783	\$ 91,330	\$ 4,314,074
Additions	-	6,580	37,986	7,041	5,654	5,796	28,962	92,019
Disposals and scrapped	-	-	(14,306)	(5,561)	(875)	-	-	(20,742)
Reclassification	-	-	9,851	800	(244)	22,162	(98,819)	(66,250)
Effect of foreign currency exchange differences	-	-	(648)	(336)	(2,788)	(7,919)	(264)	(11,955)
Balance at December 31, 2020	<u>\$ 781,970</u>	<u>\$ 1,905,429</u>	<u>\$ 842,003</u>	<u>\$ 80,683</u>	<u>\$ 282,030</u>	<u>\$ 393,822</u>	<u>\$ 21,209</u>	<u>\$ 4,307,146</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ -	\$ 574,367	\$ 459,515	\$ 42,797	\$ 196,897	\$ 186,304	\$ -	\$ 1,459,880
Disposals and scrapped	-	-	(13,112)	(4,616)	(864)	-	-	(18,592)
Depreciation expense	-	46,204	69,727	11,054	23,495	51,547	-	202,027
Reclassification	-	-	550	-	(748)	(1,403)	-	(1,601)
Effect of foreign currency exchange differences	-	-	(687)	(126)	(1,984)	(4,338)	-	(7,135)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 620,571</u>	<u>\$ 515,993</u>	<u>\$ 49,109</u>	<u>\$ 216,796</u>	<u>\$ 232,110</u>	<u>\$ -</u>	<u>\$ 1,634,579</u>
<u>Carrying amounts</u>								
Balance at December 31, 2020	<u>\$ 781,970</u>	<u>\$ 1,284,858</u>	<u>\$ 326,010</u>	<u>\$ 31,574</u>	<u>\$ 65,234</u>	<u>\$ 161,712</u>	<u>\$ 21,209</u>	<u>\$ 2,672,567</u>

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	5-55 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-15 years
Lease improvement	5-8 years

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Buildings	\$ 314,304	\$ 418,692
Transportation equipment	16,967	8,369
Office equipment	<u>1,667</u>	<u>2,617</u>
	<u>\$ 332,938</u>	<u>\$ 429,678</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 66,793</u>	<u>\$ 52,701</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 144,909	\$ 144,500
Transportation equipment	10,667	7,806
Office equipment	<u>1,178</u>	<u>1,166</u>
	<u>\$ 156,754</u>	<u>\$ 153,472</u>

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

b. Lease liabilities

	December 31	
	2021	2020
Carrying amounts	<u>\$ 350,370</u>	<u>\$ 444,659</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings	0.44%-5.70%	0.44%-5.70%
Transportation equipment	2.04%-6.00%	2.28%-6.00%
Office equipment	0.65%-2.76%	1.71%-2.76%

c. Material lease-in activities

Due to the rental of buildings, the Group had entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2028. As of December 31, 2021 and 2020, refundable deposits paid under operating lease amounted to \$35,026 thousand and \$37,809 thousand, respectively.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 20,037	\$ 20,194
Expenses relating to low-value asset leases	\$ 2,654	\$ 3,399
Total cash outflow for leases	<u>\$ (201,108)</u>	<u>\$ (199,213)</u>

20. INTANGIBLE ASSETS

	December 31	
	2021	2020
<u>Carrying amounts of each class of</u>		
Computer software	\$ 894,295	\$ 1,124,681
Goodwill	<u>1,051,756</u>	<u>1,082,563</u>
	<u>\$ 1,946,051</u>	<u>\$ 2,207,244</u>

The changes in of intangible assets for the years ended December 31, 2021 and 2020 are summarized as follows:

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 2,376,821	\$ 1,082,563	\$ 6,960	\$ 3,466,344
Additions	35,324	-	-	35,324
Disposals	(221)	-	-	(221)
Reclassification	17,501	-	-	17,501
Effect of foreign currency exchange differences	<u>(2,353)</u>	<u>(30,807)</u>	<u>(200)</u>	<u>(33,360)</u>
Balance at December 31, 2021	<u>\$ 2,427,072</u>	<u>\$ 1,051,756</u>	<u>\$ 6,760</u>	<u>\$ 3,485,588</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2021	\$ 1,252,140	\$ -	\$ 6,960	\$ 1,259,100
Amortization	281,967	-	-	281,967
Disposals	(221)	-	-	(221)
Reclassification	649	-	-	649
Effect of foreign currency exchange differences	<u>(1,758)</u>	<u>-</u>	<u>(200)</u>	<u>(1,958)</u>
Balance at December 31, 2021	<u>\$ 1,532,777</u>	<u>\$ -</u>	<u>\$ 6,760</u>	<u>\$ 1,539,537</u>
<u>Carrying amounts</u>				
Balance at December 31, 2021	<u>\$ 894,295</u>	<u>\$ 1,051,756</u>	<u>\$ -</u>	<u>\$ 1,946,051</u>

(Continued)

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 2,157,522	\$ 1,142,865	\$ 7,351	\$ 3,307,738
Additions	156,053	-	-	156,053
Disposals	(273)	-	-	(273)
Reclassification	65,702	-	-	65,702
Effect of foreign currency exchange differences	<u>(2,183)</u>	<u>(60,302)</u>	<u>(391)</u>	<u>(62,876)</u>
Balance at December 31, 2020	<u>\$ 2,376,821</u>	<u>\$ 1,082,563</u>	<u>\$ 6,960</u>	<u>\$ 3,466,344</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2020	\$ 981,402	\$ -	\$ 6,789	\$ 988,191
Amortization	273,420	-	552	273,972
Disposals	(273)	-	-	(273)
Effect of foreign currency exchange differences	<u>(2,409)</u>	<u>-</u>	<u>(381)</u>	<u>(2,790)</u>
Balance at December 31, 2020	<u>\$ 1,252,140</u>	<u>\$ -</u>	<u>\$ 6,960</u>	<u>\$ 1,259,100</u>
<u>Carrying amounts</u>				
Balance at December 31, 2020	<u>\$ 1,124,681</u>	<u>\$ 1,082,563</u>	<u>\$ -</u>	<u>\$ 2,207,244</u> (Concluded)

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% of the stocks of Ever Trust Bank on March 30, 2007. The investment cost exceeded the fair value of net identifiable assets.

When the Group executes the goodwill impairment test, Ever Trust Bank was used as a cash-generating unit, and the recoverable amount is assessed by the value in use of the cash-generating unit. The key assumptions base the expected future cash flows on the actual profit conditions of the cash-generating units. On the assumption of sustainable operations, the Group discounts the net cash flows from those of the operations of the cash-generating units in the next five years in order to calculate the value in use. Under the estimation of the Group, there is no occurrence of impairment.

The computer software and other intangible assets are amortized on a straight-line basis of 3 and 15 years, respectively.

21. OTHER ASSETS

	<u>December 31</u>	
	2021	2020
Refundable deposits	\$ 659,672	\$ 462,289
Life insurance cash surrender value	319,399	327,517
Prepayments	109,618	84,754
Others	<u>201,023</u>	<u>175,638</u>
	<u>\$ 1,289,712</u>	<u>\$ 1,050,198</u>

22. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2021	2020
Call loans from banks	\$ 25,107,334	\$ 18,628,924
Deposits from Chunghwa Post Co., Ltd.	-	7,000,000
Call loans from the Central Bank	<u>2,768,967</u>	<u>2,850,831</u>
	<u>\$ 27,876,301</u>	<u>\$ 28,479,755</u>

23. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2021	2020
Bills	\$ 78,017,892	\$ 73,092,529
Government bonds	21,680,879	24,707,835
Corporate bonds	66,112,201	62,377,074
Bank debentures	21,607,056	20,988,388
Beneficiary Securities	<u>534,588</u>	<u>-</u>
	<u>\$ 187,952,616</u>	<u>\$ 181,165,826</u>
Date of agreements to repurchase	Before August 2022	Before December 2021
Amount of agreements to repurchase	\$ 188,018,898	\$ 181,233,857

24. PAYABLES

	December 31	
	2021	2020
Investment settlements payable	\$ 150,764	\$ 202,014
Settlement accounts payable - trusteeship	60,579	82,226
Acceptances	84,266	43,447
Accrued interest	353,405	545,613
Accrued expenses	1,296,025	1,020,850
Collections payable	81,188	95,555
Factored payables	114,189	79,059
Checks for clearing	75,133	451,158
Others	<u>251,857</u>	<u>220,720</u>
	<u>\$ 2,467,406</u>	<u>\$ 2,740,642</u>

25. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	2021	2020
Deposits		
Checking	\$ 7,578,807	\$ 6,534,134
Demand	69,422,918	51,119,498
Time	163,221,744	193,289,924
Savings deposits	19,016,234	16,729,084
Export remittances	<u>139,722</u>	<u>47,032</u>
	<u>\$ 259,379,425</u>	<u>\$ 267,719,672</u>

26. BANK DEBENTURES PAYABLE

	<u>December 31</u>	
	2021	2020
Subordinate bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	\$ -	\$ 1,300,000
Subordinate bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	-	1,000,000
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	-	600,000
Subordinate bonds fourth issued in 2014; fixed 2.20% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate bonds A second issued in 2017; fixed 4.00% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2018; fixed 4.00% interest rate; no maturity, interest paid annually	700,000	700,000

(Continued)

	December 31	
	2021	2020
Subordinate bonds B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	\$ 1,050,000	\$ 1,050,000
Subordinate bonds first issued in 2019; fixed 1.50% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	2,500,000	2,500,000
Subordinate bonds first issued in 2021; fixed 0.90% interest rate; maturity: June 25, 2028; interest paid annually and repay the principal at maturity	1,000,000	-
Bonds second issued in 2021; fixed 0.65% interest rate; maturity: December 22, 2024; interest paid annually and repay the principal at maturity	<u>500,000</u>	<u>-</u>
	<u>\$ 15,000,000</u>	<u>\$ 16,400,000</u> (Concluded)

27. OTHER FINANCIAL LIABILITIES

	December 31	
	2021	2020
Bank borrowings	\$ 12,569,012	\$ 9,993,528
Commercial papers payable	5,697,210	5,261,227
Principal of structured products	44,900	25,939
Funds obtained from the government - intended for specific types of loans	<u>2,269,710</u>	<u>2,822,069</u>
	<u>\$ 20,580,832</u>	<u>\$ 18,102,763</u>

a. Bank borrowings

	December 31	
	2021	2020
Short-term borrowings	\$ 5,517,631	\$ 4,971,524
Long-term borrowings	<u>7,051,381</u>	<u>5,022,004</u>
	<u>\$ 12,569,012</u>	<u>\$ 9,993,528</u>
Interest rate interval		
New Taiwan dollars	1.00%-1.30%	1.00%-1.60%
U.S. dollars	1.51%-1.80%	0.95%-1.93%
Renminbi	4.05%-4.85%	4.69%-5.50%

b. Commercial papers payable

	December 31	
	2021	2020
Commercial papers payable	\$ 5,700,000	\$ 5,262,000
Less: Unamortized discount	<u>(2,790)</u>	<u>(773)</u>
	<u>\$ 5,697,210</u>	<u>\$ 5,261,227</u>
Interest rate interval	0.30%-1.14%	0.27%-1.14%

c. Funds obtained from the government - intended for specific types of loans

	December 31	
	2021	2020
Funds obtained from the government - intended for specific types of loans	<u>\$ 2,269,710</u>	<u>\$ 2,822,069</u>

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

28. PROVISIONS

	December 31	
	2021	2020
Provisions for employee benefits	\$ 233,827	\$ 262,735
Provisions for losses on guarantees contracts	1,750,786	1,747,556
Provisions for losses on financing commitments	<u>91,721</u>	<u>91,721</u>
	<u>\$ 2,076,334</u>	<u>\$ 2,102,012</u>

Refer to Note 13 for the details and changes in the provision for losses on guarantees contracts and financing commitments.

29. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the “Labor Pensions Ordinance” applicable to the Bank and its subsidiaries is the required retirement plan stipulated by the government, except that of Ever Trust Bank which is not more than 10% of the annual salary of the respective employees. A pension of 6% of an employee’s monthly salary is paid to the Labor Insurance Bureau under each individual’s account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2021 and 2020 was recognized in the consolidated statements of comprehensive income in the total amounts of \$69,573 thousand and \$72,427 thousand, respectively.

Defined Benefit Plan

The defined benefit plans adopted by the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribution amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 541,439	\$ 566,114
Fair value of plan assets	<u>(307,612)</u>	<u>(303,379)</u>
Net defined benefit liabilities	<u>\$ 233,827</u>	<u>\$ 262,735</u>

Movement in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 601,193</u>	<u>\$ (296,922)</u>	<u>\$ 304,271</u>
Service cost			
Current service cost	9,797	-	9,797
Past service cost and liquidity loss	611	-	611
Net interest expense (income)	<u>3,359</u>	<u>(2,174)</u>	<u>1,185</u>
Recognized in profit or loss	<u>13,767</u>	<u>(2,174)</u>	<u>11,593</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,392)	(9,392)
Changes in demographic assumptions	230	-	230
Changes in financial assumptions	9,454	-	9,454
Experience adjustments	1,461	-	1,461
Other	<u>-</u>	<u>(111)</u>	<u>(111)</u>
Recognized in other comprehensive income	<u>11,145</u>	<u>(9,503)</u>	<u>1,642</u>
Employer contributions	-	(15,382)	(15,382)
Benefits paid	(20,602)	20,602	-
Business paid	(32,133)	-	(32,133)
Other	<u>(7,256)</u>	<u>-</u>	<u>(7,256)</u>
Balance at December 31, 2020	<u>\$ 566,114</u>	<u>\$ (303,379)</u>	<u>\$ 262,735</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	\$ 566,114	\$ (303,379)	\$ 262,735
Service cost			
Current service cost	7,567	-	7,567
Net interest expense (income)	2,086	(1,517)	569
Recognized in profit or loss	<u>9,653</u>	<u>(1,517)</u>	<u>8,136</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,754)	(3,754)
Changes in demographic assumptions	9,799	-	9,799
Changes in financial assumptions	(2,570)	-	(2,570)
Experience adjustments	(458)	-	(458)
Other	<u>-</u>	<u>149</u>	<u>149</u>
Recognized in other comprehensive income	<u>6,771</u>	<u>(3,605)</u>	<u>3,166</u>
Employer contributions	-	(18,569)	(18,569)
Benefits paid	(19,458)	19,458	-
Business paid	(5,127)	-	(5,127)
Other	<u>(16,514)</u>	<u>-</u>	<u>(16,514)</u>
Balance at December 31, 2021	<u>\$ 541,439</u>	<u>\$ (307,612)</u>	<u>\$ 233,827</u>

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

- a. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2021	2020
Discount rate(s)	0.50%-0.63%	0.50%
Expected rate(s) of salary increase	2.50%	2.50%

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Discount rate(s)		
0.25% increase	<u>\$ (8,916)</u>	<u>\$ (9,454)</u>
0.25% decrease	<u>\$ 9,207</u>	<u>\$ 9,775</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 8,877</u>	<u>\$ 9,415</u>
0.25% decrease	<u>\$ (8,643)</u>	<u>\$ (9,156)</u>

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Expected contributions to the plans for the next year	<u>\$ 18,929</u>	<u>\$ 15,667</u>
Average duration of the defined benefit obligation	8.7-9.0 years	8.7-9.6 years

30. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Guarantee deposits received	\$ 2,242,552	\$ 1,929,469
Advance revenue	59,158	47,999
Payable for custody	33,048	39,403
Others	<u>384,821</u>	<u>232,684</u>
	<u>\$ 2,719,579</u>	<u>\$ 2,249,555</u>

31. EQUITY

a. Capital stock

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number of stock authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>
Amount of capital stock authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of stocks issued and fully paid (in thousands)		
Common stock	<u>2,733,006</u>	<u>2,733,006</u>
Preferred stock	<u>300,000</u>	<u>300,000</u>
Amount of stocks issued	<u>\$ 30,330,063</u>	<u>\$ 30,330,063</u>

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

On June 27, 2018, the Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of \$10. The subscription date was November 29, 2018, and finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

- 1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once every year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board of directors may set a record date for the distribution of dividends declared from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.
- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but will be capped at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders' meeting and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.
- 5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stocks are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the distribution in that year but may participate in the distribution of common stock surplus and additional paid in capital.
- 6) After five and a half years from the issue date, the Bank may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock shall continue as specified in the agreement. If the Bank's board of directors approves the distribution of dividends in the year the Bank redeems the outstanding shares of preferred stock - A, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.

- 7) When the Bank issues new shares for cash, Series A preferred stockholders have the same subscription rights as the common stockholders.

On July 7, 2020, the Bank's board of directors resolved to issue 320,000 thousand common shares with a par value of \$10 and plans to issue at \$6.35 per share, which increased the share capital issued and fully paid to 30,330,063 thousand. The above transaction was approved by the FSC.

b. Capital surplus

	<u>December 31</u>	
	2021	2020
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)		
Treasury share transactions	\$ 3,193	\$ 3,193
Must be used to offset a deficit		
Unclaimed dividends	1,341	978
May not be used for any purpose		
Share of changes in capital surplus of subsidiaries, associates or joint ventures	<u>2,200</u>	<u>1,795</u>
	<u>\$ 6,734</u>	<u>\$ 5,966</u>

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

c. Special reserves

	<u>December 31</u>	
	2021	2020
Trading loss and default loss reserve	\$ 133,955	\$ 133,955
Employee transfer or placement expenditure related to financial technology development	15,902	17,181
Other equity deductions special reserves	-	67,477
According to the Bank's policy	<u>647,926</u>	<u>1,177,740</u>
	<u>\$ 797,783</u>	<u>\$ 1,396,353</u>

The Bank reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

In addition, according to Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve an amount in the range of 0.5% to 1% of net profit after tax from 2016 to 2018; from 2017, the same amount of employee transfer or placement expenditure arising from financial technology development shall be reversed from the balance of the special reserve. The above order was repealed by the FSC Rule No. 10802714560 on May 15, 2019, which stipulates that in 2019, a public bank shall no longer continue to provide a special reserve for the purpose of protecting the interests of domestic bank practitioners in the development of financial technology. The Bank is allowed to reverse the special reserve appropriated in 2016 to 2018 at the amounts of the following expenses.

- 1) Expenses for staff transfer or placement, including the related expenses for assisting employees to transfer between departments or groups, and the payment of retirement and severance benefits to employees that are superior to labor-related laws and regulations.

- 2) Expenses for financial technology or banking business development, i.e., expenditure for education and training to enhance or develop employee functions.

Under related regulations, the Bank should appropriate or reverse to a special reserve according to the net debit balance of other equity. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

d. Retained earnings and dividends policy

- 1) The Bank's dividend policy approved by the stockholders' meeting of the Bank on June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders' meeting.

- 2) The dividend policy before June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

In addition, according to the provisions of the Bank's articles of incorporation, the Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. In principle, cash dividend shall not be less than 20% of the total dividend for the current year. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the shareholders' meeting.

For the policies on distribution of compensation of employees and remuneration of directors, please refer to Note 36.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital.

The appropriations of earnings for 2020 and 2019 have been proposed by the Bank's board of directors and approved in the stockholders' meetings on July 20, 2021 and June 19, 2020, respectively. The appropriations and dividends per share were as follows:

	<u>2020</u>	<u>2019</u>
	Appropriation of Earnings	Appropriation of Earnings
Legal reserve	\$ 31,879	\$ 330,130
Special reserve appropriated (reversed)	(598,570)	(234,982)
Cash dividends - common stock	545,454	965,203
Preferred stock dividends	127,500	127,500

The appropriations of earnings for 2021 had been proposed by the Board on March 16, 2022. The appropriations were as follows:

	Appropriation of Earnings
Legal reserve	\$ 612,126
Special reserve reversed	(163,173)
Cash dividends - common stock	819,145
Cash dividends - preferred stock	127,500

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

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ (697,554)	\$ (307,473)
Exchange differences arising on translating the financial statements of foreign operations	(280,110)	(446,246)
Income tax related to gains or losses arising on translating the financial statements of foreign operations	<u>31,597</u>	<u>56,165</u>
Balance at December 31	<u>\$ (946,067)</u>	<u>\$ (697,554)</u>

2) Unrealized valuation gains (losses) on financial assets at FVOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 755,298	\$ 239,996
Recognized during the period		
Unrealized gain - debt instruments	(755,763)	284,191
Unrealized gain - equity instruments	660,949	339,439
Loss allowance of debt instruments	<u>2,276</u>	<u>3,887</u>
Other comprehensive income recognized in the period	<u>(92,538)</u>	<u>627,517</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(202,172)</u>	<u>(112,215)</u>
Balance at December 31	<u>\$ 460,588</u>	<u>\$ 755,298</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 18,696,870	\$ 17,557,074
Attribute to non-controlling interests		
Shares of profit for the year	1,359,081	1,153,526
Capital surplus	1,023	1,071
Exchange differences arising on translation of foreign entities	(13,738)	(25,777)
Unrealized gains and losses on FVTOCI	(419,410)	704,708
Actuarial profit and loss of defined benefit plans	(424)	(1,108)
Cash dividends distributed by subsidiary	<u>(836,921)</u>	<u>(692,624)</u>
Balance at December 31	<u>\$ 18,786,481</u>	<u>\$ 18,696,870</u>

g. Treasury stock

	Unit: In Thousands of Shares	
	For the Year Ended December 31	
	2021	2020
Number of shares at January 1, 2020	5,737	-
Increase during the year	<u>-</u>	<u>5,737</u>
Number of shares at December 31, 2020	<u>5,737</u>	<u>5,737</u>

On March 19, 2020, the Bank's board of directors proposed to acquire treasury stocks transfer to employees. The acquiring period is from March 20, 2020 to May 19, 2020. As of May 19, 2020, the Bank had acquired 5,737 thousand shares of treasury stocks for \$38,304 thousand.

Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise stockholders' rights on these shares, such as the rights to receive dividends or to vote.

32. NET INTEREST

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Interest revenue</u>		
Discounts and loans	\$ 3,906,226	\$ 4,800,133
Investments in securities	1,647,880	1,822,032
Installment sales and leases	1,123,081	910,524
Due from the Central Bank and call loans to banks	42,766	105,792
Others	<u>110,266</u>	<u>95,189</u>
	<u>6,830,219</u>	<u>7,733,670</u>
<u>Interest expense</u>		
Deposits	\$ 1,022,516	\$ 2,134,139
Deposits from the Central Bank and other banks	56,628	218,024
Bank debentures	303,664	349,741
Bills and bonds sold under repurchase agreements	429,084	724,181
Others	<u>358,400</u>	<u>282,936</u>
	<u>2,170,292</u>	<u>3,709,021</u>
	<u>\$ 4,659,927</u>	<u>\$ 4,024,649</u>

33. SERVICE FEE INCOME, NET

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Service fee income		
Guarantee business	\$ 1,137,545	\$ 1,006,850
Loan business	264,743	126,503
Underwrite business	515,301	435,730
Trust business	52,295	32,751
Lease business	332,113	241,158
Credit examining business	113,041	149,797
Import and export business	14,518	11,705
Factoring business	21,962	16,066
Insurance agent business	39,420	70,527
Others	<u>99,704</u>	<u>58,130</u>
	<u>2,590,642</u>	<u>2,149,217</u>
Service charge		
Others	<u>132,072</u>	<u>111,852</u>
	<u>\$ 2,458,570</u>	<u>\$ 2,037,365</u>

34. GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2021	2020
Realized gains or losses		
Bills	\$ 130,350	\$ 125,873
Stocks and beneficiary certificates	398,192	105,616
Bonds	85,834	12,147
Derivatives	<u>(753,856)</u>	<u>(1,374,722)</u>
	<u>(139,480)</u>	<u>(1,131,086)</u>
Gains (losses) on valuation		
Bills	(21,488)	20,864
Stocks and beneficiary certificates	13,500	103,592
Bonds	27,628	15,236
Derivatives	<u>342,550</u>	<u>(120,875)</u>
	<u>362,190</u>	<u>18,817</u>
Interest revenue	<u>628,788</u>	<u>912,319</u>
	<u>\$ 851,498</u>	<u>\$ (199,950)</u>

35. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2021	2020
Realized income - debt instruments	\$ 159,857	\$ 233,278
Dividend revenue	<u>250,765</u>	<u>185,587</u>
	<u>\$ 410,622</u>	<u>\$ 418,865</u>

36. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits		
Salaries and wages	\$ 2,246,789	\$ 2,193,281
Labor insurance and national health insurance	154,255	135,325
Others	266,385	195,712
Post-employment benefits		
Pension expenses	77,395	83,496
Pension benefits	<u>689</u>	<u>1,415</u>
	<u>\$ 2,745,513</u>	<u>\$ 2,609,229</u>

The Bank accrued compensation of employees and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The amounts and accrual rates of employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020 were as follows:

Accrual rate

	For the Year Ended December 31	
	2021	2020
Compensation of employees	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Year Ended December 31	
	2021	2020
Compensation of employees	<u>\$ 26,170</u>	<u>\$ 16,056</u>
Remuneration of directors	<u>\$ 52,339</u>	<u>\$ 32,111</u>

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate by next year.

The compensation of employees and remuneration of directors for 2020 and 2019, which were approved by the Bank's board of director on March 22, 2021 and March 25, 2020, respectively, were as follows:

	For the Year Ended December 31			
	2020		2019	
	Cash	Stock	Cash	Stock
Compensation of employees	\$ 16,056	\$ -	\$ 15,715	\$ -
Remuneration of directors	32,111	-	31,430	-

There are no differences between the 2020 and 2019 actual amounts of compensation of employees and remuneration of directors paid and the 2020 and 2019 amount recognized in the annual consolidated financial statements.

The Board had been proposed compensation of employees and remuneration of directors for the year ended December 31, 2021 on March 16, 2022, were as follows:

	For the Year Ended December 31, 2021
Compensation of employees - cash	<u>\$ 26,170</u>
Remuneration of directors	<u>\$ 52,339</u>

Information for the employee' compensation and remuneration of directors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2021	2020
Property and equipment	\$ 201,932	\$ 201,333
Right-of-use assets	154,058	153,472
Intangible assets	<u>281,967</u>	<u>273,972</u>
	<u>\$ 637,957</u>	<u>\$ 628,777</u>

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2021	2020
Taxation	\$ 223,347	\$ 227,391
Rental fees	14,248	19,876
Management fees	40,146	42,043
Computer operating and consulting fees	304,538	297,724
Entertainment fees	34,934	44,711
Professional services fees	107,322	94,998
Advertisement fees	55,143	47,562
Others	<u>358,772</u>	<u>345,597</u>
	<u>\$ 1,138,450</u>	<u>\$ 1,119,902</u>

39. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 857,233	\$ 694,146
Income tax on unappropriated earnings	681	-
Adjustment of prior years	<u>(17,524)</u>	<u>(1,054)</u>
	840,390	693,092
Deferred tax		
In respect of the current year	<u>193,958</u>	<u>92,699</u>
Income tax expense recognized in profit or loss	<u>\$ 1,034,348</u>	<u>\$ 785,791</u>

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2021 and 2020 were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Profit before tax from continuing operations	<u>\$ 4,238,968</u>	<u>\$ 3,099,297</u>
Income tax expense calculated at the statutory rate	\$ 1,332,227	\$ 981,354
Realized gain on investment in equity instruments measured at fair value through other comprehensive income	61,816	36,348
Endorsee/Guarantee calculated interest income	-	1,323
Nondeductible expenses and tax-exempt income in determining taxable income	(408,277)	(293,951)
Unrecognized unused loss carryforwards	(14,275)	(13,178)
Unrecognized deductible temporary differences	(57,066)	(21,316)
Additional income tax under the Alternative Minimum Tax Act	32,671	24,824
Income tax on unappropriated earnings	681	-
Overseas income taxes	104,095	71,441
Adjustments for prior years' tax	<u>(17,524)</u>	<u>(1,054)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,034,348</u>	<u>\$ 785,791</u>

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2021	2020
<u>Deferred tax</u>		
Translation of foreign operations	\$ 34,227	\$ 50,238
Remeasurement of defined benefit plans	148	387
Unrealized gains or losses on financial assets at FVTOCI	<u>132,460</u>	<u>(127,457)</u>
Income tax recognized in other comprehensive income	<u>\$ 166,835</u>	<u>\$ (76,832)</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Other	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
FVTPL financial instruments	\$ 79,383	\$ (19,547)	\$ -	\$ (136)	\$ 59,700
Property and equipment	11,544	3,043	-	(349)	14,238
Exchange differences on translating the financial statements of foreign operations	107,396	-	34,226	-	141,622
Defined benefit plans	47,991	(6,522)	148	(961)	40,656
Allowance for bad debts	479,203	(2,747)	-	(2,983)	473,473
Provisions	58,468	(7,400)	-	-	51,068
Impairment of assets	5,286	(4,804)	-	(22)	460
Other	18,043	(6,686)	12,998	(825)	23,530
Unused loss carryforwards	<u>88,573</u>	<u>7,423</u>	<u>-</u>	<u>-</u>	<u>95,996</u>
	<u>\$ 895,887</u>	<u>\$ (37,240)</u>	<u>\$ 47,372</u>	<u>\$ (5,276)</u>	<u>\$ 900,743</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit of associates and joint ventures accounted for using equity method	\$ 618,067	\$ 169,507	\$ -	\$ -	\$ 787,574
Other	<u>175,188</u>	<u>(12,789)</u>	<u>(119,463)</u>	<u>-</u>	<u>42,936</u>
	<u>\$ 793,255</u>	<u>\$ 156,718</u>	<u>\$(119,463)</u>	<u>\$ -</u>	<u>\$ 830,510</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Other	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
FVTPL financial instruments	\$ 52,952	\$ 25,940	\$ -	\$ 491	\$ 79,383
Property and equipment	9,492	2,618	-	(566)	11,544
Exchange differences on translating the financial statements of foreign operations	57,159	-	50,237	-	107,396
Defined benefit plans	51,372	(1,806)	387	(1,962)	47,991
Allowance for bad debts	470,696	12,505	-	(3,998)	479,203
Provisions	50,215	8,253	-	-	58,468
Impairment of assets	5,729	(383)	-	(60)	5,286
Other	36,927	(8,509)	(5,663)	(4,712)	18,043
Unused loss carryforwards	<u>-</u>	<u>88,573</u>	<u>-</u>	<u>-</u>	<u>88,573</u>
	<u>\$ 734,542</u>	<u>\$ 127,191</u>	<u>\$ 44,961</u>	<u>\$ (10,807)</u>	<u>\$ 895,887</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit of associates and joint ventures accounted for using equity method	\$ 400,545	\$ 217,522	\$ -	\$ -	\$ 618,067
Other	<u>51,027</u>	<u>2,368</u>	<u>121,793</u>	<u>-</u>	<u>175,188</u>
	<u>\$ 451,572</u>	<u>\$ 219,890</u>	<u>\$ 121,793</u>	<u>\$ -</u>	<u>\$ 793,255</u>

d. Assessment of the income tax returns

The income tax returns of the Bank through 2018 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiaries IBT Leasing, IBTM and IBT VII Venture Capital Co., Ltd. through 2019 have been assessed. The income tax returns of CBF through 2017 have been assessed by the tax authorities.

40. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2021	2020
Basic earnings per share		
From continuing operations	\$ 0.63	\$ 0.42
From discontinued operations	<u>-</u>	<u>(0.01)</u>
Total basic earnings per share	<u>\$ 0.63</u>	<u>\$ 0.41</u>
Diluted earnings per share		
From continuing operations	\$ 0.57	\$ 0.37
From discontinued operations	<u>-</u>	<u>-</u>
Total diluted earnings per share	<u>\$ 0.57</u>	<u>\$ 0.37</u>

Earnings used in calculating earnings per share and weighted average number of common stocks are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2021	2020
Profit for the period attributable to owners of the Bank	\$ 1,840,842	\$ 1,147,403
Less: Declared preferred stock dividend	<u>127,500</u>	<u>127,500</u>
Earnings used in the computation of basic earnings per share	1,713,342	1,019,903
Less: Loss for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	<u>(4,685)</u>	<u>(12,545)</u>
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 1,718,027</u>	<u>\$ 1,032,448</u>

Stock (In Thousand Shares)

	For the Year Ended December 31	
	2021	2020
Weighted average number of common stocks in computation of basic earnings per share	<u>2,727,269</u>	<u>2,471,797</u>
Effect of potentially dilutive common stocks:		
Compensation of employees	3,782	2,886
Convertible preferred stock	<u>300,000</u>	<u>300,000</u>
	<u>303,782</u>	<u>302,886</u>
Weighted average number of common stocks in the computation of diluted earnings per share	<u>3,031,051</u>	<u>2,774,683</u>

If the Bank offered to settle compensation paid to employees in cash or stocks, then the Bank will assume the entire amount of the compensation will be settled in stocks and the dilutive effect of the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential stocks will be included in the computation of diluted earnings per share until the number of stocks to be distributed to employees is resolved in the following year.

41. RELATED PARTY TRANSACTIONS

The transactions, account balances, income and loss of the Bank and its subsidiaries (which are the related parties of the Bank) are all eliminated upon consolidation, so they are not disclosed in this note. Except for other transactions disclosed in other notes, the transactions between the Group and other related parties are as follows:

- a. The related parties and their relationships with the Group are summarized as follows :

<u>Related Party</u>	<u>Relationship with the Bank</u>
IBT II Venture Capital Co., Ltd. (IBT II Venture) (Company in liquidation)	Associates
Beijing Sunshine Consumer Finance Co., Ltd.	Associates
IBT Education Foundation (IBTEF)	The Group is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Group's legal director
TCC Chemical Corporation (TCC)	Other related party
Others	The Group's management and their other related parties

- b. The significant transactions and balances with the related parties are summarized as follows:

- 1) Deposits (part of deposits and remittances)

	Ending Balance	Interest Expense	Rate (%)
<u>For the year ended December 31, 2021</u>			
Associates	\$ 261	\$ -	0.03-0.04
Others	<u>10,555,219</u>	<u>53,679</u>	0.00-6.29
	<u>\$ 10,555,480</u>	<u>\$ 53,679</u>	
<u>For the year ended December 31, 2020</u>			
Associates	\$ 1,977	\$ 1	0.03
Others	<u>4,809,246</u>	<u>48,140</u>	0.00-6.315
	<u>\$ 4,811,223</u>	<u>\$ 48,141</u>	

2) Loan

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
For the year ended <u>December 31, 2021</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 5,068</u>	1.179
For the year ended <u>December 31, 2020</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 5,317</u>	1.179

December 31, 2021							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Other loans	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None
December 31, 2020							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Other loans	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

Note: The maximum balance of daily totals for each category of loan.

3) Service fee income (part of service fee income, net)

	For the Year Ended December 31	
	2021	2020
Others	<u>\$ 14</u>	<u>\$ 33</u>

Service fee income is earned by providing authentication, custody and fund purchase services.

4) Other expenses (part of other general and administrative expense)

	For the Year Ended December 31	
	2021	2020
Others	<u>\$ 5,650</u>	<u>\$ 5,720</u>

Other expenses are donations.

5) Rental income and others (part of other net revenue other than interest)

	<u>For the Year Ended December 31</u>	
	2021	2020
Others	\$ <u>552</u>	\$ <u>552</u>

Rental income received by the department is revenue from leasing contract of providing part of the office and equipment and management service contract.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2021 and 2020 were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Short-term employee benefits	\$ 386,402	\$ 317,456
Post-employment benefits	14,454	9,459
Stock-based payments	<u>-</u>	<u>761</u>
	<u>\$ 400,856</u>	<u>\$ 327,676</u>

The remuneration of directors and other key management personnel is reviewed by the remuneration committee and determined by the Bank's board of director or chairman.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

42. PLEDGED ASSETS

	<u>December 31</u>	
	2021	2020
Financial assets at FVTPL	\$ 3,900,978	\$ 9,100,504
Financial assets at FVTOCI	15,076,563	8,470,589
Receivables	629,434	862,500
Discounts and loans	7,780,357	6,065,517
Pledged time deposits	232,100	744,108
Compensation account for payment	<u>36,310</u>	<u>15,500</u>
	<u>\$ 27,655,742</u>	<u>\$ 25,258,718</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of other financial assets) and negotiable certificates of deposits (part of financial assets at FVTPL and financial assets at FVTOCI) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above financial assets were debt and equity investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits with Federal Home Loan Bank of San Francisco. Pledged time deposits and compensation account for payment (both were parts of other financial assets) have been provided as collaterals or short-term loans.

Under the requirement of credit given by other banks, subsidiaries provided checks issued by their customers as collaterals.

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in other notes, as of December 31, 2021 and 2020, the Group had commitments as follows:

	<u>December 31</u>	
	2021	2020
Office decorating and contracts of computer software		
Amount of contracts	\$ 41,599	\$ 31,836
Payments for construction in progress and prepayments for equipment	20,190	21,209

44. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	<u>December 31</u>	
	2021	2020
Trust assets		
Petty cash	\$ 100	\$ 100
Bank deposits	1,820,544	2,404,446
Financial assets	4,236,190	3,285,615
Receivables	27	18
Prepayments	1,222	1,374
Real estate	6,121,444	8,544,916
Structured products	45,854	-
Other assets	<u>42</u>	<u>21,329</u>
Total trust assets	<u>\$ 12,225,423</u>	<u>\$ 14,257,798</u>

(Continued)

	December 31	
	2021	2020
Trust liabilities and capital		
Payables	\$ 1,787	\$ 1,188
Unearned receipts	1,180	1,201
Taxes payable	4,203	4,256
Guarantee deposits received	39,020	51,530
Other liabilities	981	955
Trust capital	12,024,438	14,022,448
Provisions and accumulated profit and loss	<u>153,814</u>	<u>176,220</u>
Total trust liabilities and capital	<u>\$ 12,225,423</u>	<u>\$ 14,257,798</u> (Concluded)

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2021	2020
Trust revenue		
Interest revenue	\$ 1,106	\$ 3,182
Rent revenue	109,739	113,034
Other revenue	<u>3,280</u>	<u>1,427</u>
	<u>114,125</u>	<u>117,643</u>
Trust expenses		
Management fees	(3,880)	(3,340)
Service charge	(13,480)	(5,169)
Tax	(14,114)	(14,347)
Other expenses	(12,672)	(13,263)
Income tax expense	<u>(25)</u>	<u>(210)</u>
	<u>(44,171)</u>	<u>(36,329)</u>
	<u>\$ 69,954</u>	<u>\$ 81,314</u>

Note: The above income accounts of the trust business were not included in the Group's income statement.

Trust Property List

	December 31	
	2021	2020
Petty cash	\$ 100	\$ 100
Bank deposits	1,820,544	2,404,446
Stocks	228,378	228,378
Funds	3,468,761	2,839,148
Bonds	539,051	218,089
Land	5,302,344	7,704,221
Buildings	819,100	840,695
Receivables	27	18
Prepayments	1,222	1,374
Structured products	45,854	-
Other	<u>42</u>	<u>21,329</u>
	<u>\$ 12,225,423</u>	<u>\$ 14,257,798</u>

45. FINANCIAL INSTRUMENTS

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

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values cannot be reliably measured.

	December 31			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bank debentures payable	\$ 15,000,000	\$ 15,150,259	\$ 16,400,000	\$ 16,574,644

2) The fair value hierarchy

Financial Instrument Items at Fair Value	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 15,150,259	\$ -	\$ 15,150,259	\$ -

Financial Instrument Items at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 16,574,644	\$ -	\$ 16,574,644	\$ -

Refer to quoted market prices for fair value if there are public quotations on bank debentures payable with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

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

1) The fair value hierarchy of the financial instruments as of December 31, 2021 and 2020 were as follows:

Item	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,601,385	\$ 879,772	\$ 527,946	\$ 193,667
Bills	95,940,011	-	95,940,011	-
Hybrid financial assets	11,660,427	435,348	1,245,732	9,979,347
Negotiable certificates of deposit	42,434,758	-	42,434,758	-
Financial assets at FVTOCI				
Equity instruments	7,600,894	6,646,416	118,575	835,903
Bills	6,384,497	-	6,384,497	-
Debt instruments	147,748,394	19,466,751	128,281,643	-
Negotiable certificates of deposit	29,422,895	-	29,422,895	-
Liabilities				
Financial liabilities at FVTPL	51,258	-	51,258	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	262,866	-	262,866	-
Liabilities				
Financial liabilities at FVTPL	390,079	-	390,079	-
Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,232,626	\$ 596,870	\$ 503,298	\$ 132,458
Bills	106,494,789	-	106,494,789	-
Hybrid financial assets	10,370,392	176,050	1,097,692	9,096,650
Negotiable certificates of deposit	44,080,443	-	44,080,443	-
Financial assets at FVTOCI				
Equity instruments	6,118,890	5,175,647	118,719	824,524
Debt instruments	136,606,357	-	136,606,357	-
Negotiable certificates of deposit	29,783,988	-	29,783,988	-
Liabilities				
Financial liabilities at FVTPL	1,960	-	1,960	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	316,446	-	316,446	-
Liabilities				
Financial liabilities at FVTPL	788,338	-	788,338	-

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss and available-for-sale financial assets refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

- i. Ensure the consistency and completeness of market data.
- ii. The source of market data should be transparent, easy to access, and should come from independent resources.
- iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.
- iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Group are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex⁺ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

- i. Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.
- ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2021

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	\$ 9,096,650	\$ 132,458	\$ 824,524	\$ 10,053,632
Recognition in profit or loss - gains (losses) on financial assets or liabilities measured at fair value through profit or loss	(28,903)	18,095	-	(10,808)
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	-	48,092	48,092
Purchases	16,714,300	43,949	12,000	16,770,249
Disposals	(15,802,700)	(203)	(48,713)	(15,851,616)
Other	-	(632)	-	(632)
Ending balance	<u>\$ 9,979,347</u>	<u>\$ 193,667</u>	<u>\$ 835,903</u>	<u>\$ 11,008,917</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	\$ 8,623,449	\$ 203,543	\$ 854,704	\$ 9,681,696
Recognition in profit or loss - gains (losses) on financial assets or liabilities measured at fair value through profit or loss	12,301	(31,305)	-	(19,004)
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	-	54,804	54,804
Purchases	10,349,800	89,352	147,544	10,586,696
Disposals	(9,888,900)	(3,032)	(232,528)	(10,124,460)
Other	-	(126,100)	-	(126,100)
Ending balance	<u>\$ 9,096,650</u>	<u>\$ 132,458</u>	<u>\$ 824,524</u>	<u>\$ 10,053,632</u>

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses for the years ended December 31, 2021 and 2020, were consisted of \$2,871 thousand and \$36,186 thousand in profit, respectively.

The Group had no significant transfers in Level 3 for the years ended December 31, 2021 and 2020.

4) Transfers between Level 1 and Level 2

The Group had no significant transfers between Level 1 and Level 2 for the year ended December 31, 2020. For the year ended December 31, 2021, certain debt instrument investments were transferred from Level 2 to Level 1, which resulted from the change in the determination of fair value from the use of valuation model with market parameters to the adoption of quoted prices in active markets.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the years ended December 31, 2021 and 2020 would be as follows:

For the year ended December 31, 2021

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,830	\$ (1,830)	\$ -	\$ -
Equity instruments	10%	19,367	(19,367)	92,220	(92,220)

For the year ended December 31, 2020

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,379	\$ (1,379)	\$ -	\$ -
Equity instruments	10%	13,246	(13,246)	91,274	(91,274)

c. Transfer of financial assets

Transferred financial assets not derecognized

Most of the transferred financial assets of the Group that were not fully derecognized were securities sold under repurchase agreements. Under the terms of these transfers, the right to the cash flows of the transferred financial assets would be transferred to other entities, and the associated liabilities of the Group's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. Since the Group is restricted from using, selling, or pledging the transferred financial assets within the transaction period, and is still exposed to interest rate risks and credit risks on these assets, the transferred financial assets were not fully derecognized.

December 31, 2021

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	\$ 77,979,560	\$ 78,017,892
Bonds sold under repurchase agreements	502,343	534,588
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	100,946,933	103,773,535
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	5,334,108	5,626,601

December 31, 2020

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	\$ 73,059,276	\$ 73,092,529
Bonds sold under repurchase agreements	245,568	245,180
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	100,837,056	102,892,974
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	4,728,980	4,935,143

d. Offsetting financial assets and financial liabilities

Certain transactions of the Bank and its subsidiaries are covered by enforceable master netting agreements or similar agreements, or under similar repurchase agreements may not meet all offsetting criteria under IFRSs. However, in these transactions, financial liabilities are allowed to be offset against financial assets when any of the counterparties specifies to settle at net amounts. If no counterparty specifies to settle at net amounts, the transactions will be settled at gross amounts instead. One of the counterparties can decide to settle at net amounts if the other party of the transaction defaults.

The tables below present the quantitative information of financial assets and financial liabilities on the balance sheets that had been offset or are covered by enforceable master netting arrangements or similar agreements.

December 31, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 262,866	\$ -	\$ 262,866	\$ (56,086)	\$ (71,922)	\$ 134,858

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 349,675	\$ -	\$ 349,675	\$ (56,086)	\$ (3,260)	\$ 290,329
Repurchase agreements	187,952,616	-	187,952,616	(184,711,607)	-	3,241,009
	\$ 188,302,291	\$ -	\$ 188,302,291	\$ (184,767,693)	\$ (3,260)	\$ 3,531,338

December 31, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 316,446	\$ -	\$ 316,446	\$ (108,045)	\$ (2,851)	\$ 205,550

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 751,316	\$ -	\$ 751,316	\$ (108,045)	\$ (206,660)	\$ 436,611
Repurchase agreements	<u>181,165,826</u>	<u>-</u>	<u>181,165,826</u>	<u>(178,823,433)</u>	<u>-</u>	<u>2,342,393</u>
	<u>\$ 181,917,142</u>	<u>\$ -</u>	<u>\$ 181,917,142</u>	<u>\$ (178,931,478)</u>	<u>\$ (206,660)</u>	<u>\$ 2,779,004</u>

Note: Included non-cash financial collaterals.

46. FINANCIAL RISK MANAGEMENT

a. Overview

For the potential expected and unexpected risk, the Group establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness by ensuring that all operating risks are controlled to an acceptable extent. The Group continues to engage actively in the capital adequacy ratio with in the accordance to the regulator's requirements and monitors to meet the international requirement of the Basel Commission.

b. Risk management framework

Ultimate responsibility for setting the Bank's risk appetite rests with the board of director. The Auditing Department, Audit Committee and Compensation Committee report to the board of director. Risk Management Committee, which is under the Chairman, deliberate the bank risk management mechanism and the risk management proposals of the board of directors, supervising the risk management of each risk and review the implementation effect. Assets and Liabilities Committee and Loan Evaluation Subcommittee, which are under the President, hold Capital Meetings and Quality Evaluation of Assets Meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management scheme.

China Bills Finance Corporation's (CBF) board of directors has the ultimate responsibility for risk framework decision making and oversees the implementation of risk management. Business risk management which is headed by the President is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk, operational risk control, and other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligations to pay the Group in accordance with agreed terms. The source of credit risks includes the subjects in the balance sheet and off-balance sheet items.

2) Strategy/objectives/policies and procedures

- a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management requirement and establish the Bank's credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.
- b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimize potential financial losses and pursue optimal rewards.

Sound risk management systems and control processes, strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations to maintaining high credit standards and asset quality.

- c) Credit risk management policy: To establish risk management system and to ensure the integrity of business risk management and compliance, the Bank stipulated its "Risk Management Policy" which is in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the FSC. The Bank keeps its capital adequately, achieves the goal of credit risk strategy and creates risk adjusted return maximization plan under the Bank's acceptable range of credit risk.
- d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including all the transactions in banking book and trading book, balance sheet and off-balance sheet transactions. With financial innovation, as new credit businesses become increasingly complex; business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

- i) The Bank manages asset portfolios by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope.
- "Concentrative risks" are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

- i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.
- ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank's quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

- i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.
- ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.
- iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.
- iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.
- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

- a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.
- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.

- c) Risk Management Committee: Responsible for the risk management policies, various risk management regulations, annual risk appetites, limits, risk management proposals for the board of directors' approval levels and various risk management mechanisms, supervise and review credit, market, operations, liquidity, information security, AML, personal data protection, emergencies and other risk management, improve the Bank's risk management mechanism to ensure the effective implementation of the Bank's risk management procedures.
 - d) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.
 - e) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still need to be submitted to the competent level for review.
 - f) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.
 - g) The Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL regulations. It is also responsible for the preparation of risk management reports presented to appropriate management, and plans to establish monitoring tools for credit risk measurement.
 - h) Corporate Credit Management Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
 - i) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.
- 4) The scope and characteristics of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the board of directors or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-loan management and collection operations. The risk management units regularly provide analysis reports of various types of credit risk and asset quality in addition to the above operational procedures for management indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the board of directors to grasp the risk situations faced by the state, the group, the industry, the same related parties and the related enterprise risks.

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles its credit according to the "Regulation on Stress Test Operation for Banks" and "Bank Credit Risk Stress Test Guidelines" issued by the FSC, as an important basis for credit risk management, and continues to adjust the direction of business development, credit policy and credit evaluation procedures.

5) Mitigation of risks or hedging of credit risk and monitoring the risk avoidance

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty's bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank and its subsidiaries is as follows:

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2021	December 31, 2020
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	\$ 149,267,289	\$ 145,888,269
Maximum exposure amounts	149,267,289	145,888,269
Loan commitments	47,740,121	42,770,934

7) Concentrations of credit risk exposure

Concentration of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic characteristics. The emergence of concentrations of credit risk includes the operating activities property of the debtor. The Group does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On December 31, 2021 and 2020, the Group's significant concentrations of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Financial intermediary	\$ 78,675,612	27	\$ 78,116,172	26
Manufacturing	58,775,129	20	63,281,714	21
Real estate	57,361,927	20	56,497,428	19

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Private sector	\$ 139,529,652	80	\$ 150,712,058	81
Natural person	35,766,883	20	35,461,639	19

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Domestic	\$ 116,051,668	66	\$ 122,417,279	66
Other Asia area	27,972,835	16	25,203,739	14
America	27,471,135	16	31,854,819	17

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to other banks, financial asset at fair value through profit or loss, bills and bonds purchased under resell agreements, refundable deposits, operating deposits and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Group assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Group adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Group considers both the 12-month and lifetime probability of default (“PD”) of the borrower together with the loss given default (“LGD”), multiplied by the exposure at default (“EAD”), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower’s probability to default, and the LGD refers to losses caused by such default. The Group applies the PD and LGD for the impairment assessment of the credit business according to each group entity’s historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model.

Considering the impact of COVID-19 to the overall economy, the Bank has adjusted the weights of the assessment factors to reflect the estimated influence of the economic indicator changes on the default rate.

The Group estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Group estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank's Association and Basel Accords. The Group calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Group uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Group determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Group also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank and its subsidiaries' exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review changes in bond yields and other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

In order to minimize credit risk, the Group has tasked its credit management committee with developing and maintaining a credit risk grading framework for categorizing exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses.

The Group's current credit risk grading mechanism is as follows:

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

The Group's gross carrying amounts of debt instrument investments by credit category were as follows:

Category	December 31	
	2021	2020
Performing	\$ 182,232,250	\$ 163,611,133
Doubtful	1,000,010	1,000,025
In default	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI for the years ended December 31, 2021 and 2020, grouped by credit rating, is reconciled as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2021	\$ 42,548	\$ 8,821	\$ 51,369
New financial assets purchased or originated	16,548	-	16,548
Derecognition of financial assets	(13,925)	-	(13,925)
Change in model or risk parameters	(2,161)	(3,603)	(5,764)
Exchange rates or others	<u>(554)</u>	<u>-</u>	<u>(554)</u>
Balance at December 31, 2021	<u>\$ 42,456</u>	<u>\$ 5,218</u>	<u>\$ 47,674</u>

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2020	\$ 38,272	\$ 8,136	\$ 46,408
Transfers			
Abnormal to default	914	(914)	-
New financial assets purchased or originated	12,996	-	12,996
Derecognition of financial assets	(9,242)	-	(9,242)
Change in model or risk parameters	294	1,599	1,893
Exchange rates or others	<u>(686)</u>	<u>-</u>	<u>(686)</u>
Balance at December 31, 2020	<u>\$ 42,548</u>	<u>\$ 8,821</u>	<u>\$ 51,369</u>

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank and its subsidiaries is as follows:

a) Credit analysis for receivables and discounts and loans

December 31, 2021

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	\$ 20,194,073	\$ 135,829	\$ 251,818	\$ -	\$ 20,581,720
Allowance for credit losses	(270,996)	(28,036)	(190,494)	-	(489,526)
Difference of impairment loss under regulations	-	-	-	(15,680)	(15,680)
Net total	<u>\$ 19,923,077</u>	<u>\$ 107,793</u>	<u>\$ 61,324</u>	<u>\$ (15,680)</u>	<u>\$ 20,076,514</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 161,284,858	\$ 12,775,541	\$ 1,236,136	\$ -	\$ 175,296,535
Allowance for credit losses	(382,077)	(108,320)	(238,363)	-	(728,760)
Difference of impairment loss under regulations	-	-	-	(1,840,186)	(1,840,186)
Net total	<u>\$ 160,902,781</u>	<u>\$ 12,667,221</u>	<u>\$ 997,773</u>	<u>\$ (1,840,186)</u>	<u>\$ 172,727,589</u>

December 31, 2020

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	\$ 15,070,846	\$ 86,938	\$ 226,280	\$ -	\$ 15,384,064
Allowance for credit losses	(220,734)	(25,785)	(175,691)	-	(422,210)
Difference of impairment loss under regulations	-	-	-	(8,995)	(8,995)
Net total	<u>\$ 14,850,112</u>	<u>\$ 61,153</u>	<u>\$ 50,589</u>	<u>\$ (8,995)</u>	<u>\$ 14,952,859</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 167,034,025	\$ 17,442,689	\$ 1,696,982	\$ -	\$ 186,173,696
Allowance for credit losses	(530,975)	(194,967)	(352,887)	-	(1,078,829)
Difference of impairment loss under regulations	-	-	-	(1,383,894)	(1,383,894)
Net total	<u>\$ 166,503,050</u>	<u>\$ 17,247,722</u>	<u>\$ 1,344,095</u>	<u>\$ (1,383,894)</u>	<u>\$ 183,710,973</u>

b) Credit analysis for marketable securities

December 31, 2021

	At FVTOCI - Debt Instruments
Gross carrying amount	\$ 183,232,260
Allowance for impairment loss	(47,674)
Amortized cost	183,184,586
Fair value adjustment	371,200
	<u>\$ 183,555,786</u>

December 31, 2020

	At FVTOCI - Debt Instruments
Gross carrying amount	\$ 164,611,158
Allowance for impairment loss	<u>(51,369)</u>
Amortized cost	164,559,789
Fair value adjustment	<u>1,830,557</u>
	<u>\$ 166,390,346</u>

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of December 31, 2021 and 2020, the Group had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Group's capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Group's fund is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Group's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.

b) Manage current assets to ensure that the Group have enough instantly-realized assets to deal with currency risks.

c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Group's liquidity.

d) To establish an appropriate information system to measure, monitor and report liquidity risk.

e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank fund (including the introduction of new products or services) for managing current risks to help the Bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.

- f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.
- g) In addition to the monitoring of the capital requirements, under normal business conditions, the Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the Bank's operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2021 and 2020, the liquidity reserve ratio was 46.81% and 46.39%, respectively.

- 3) The analysis of cash outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

December 31, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and other banks	\$ 27,322,508	\$ 553,793	\$ -	\$ -	\$ -	\$ 27,876,301
Financial liabilities at fair value through profit or loss	-	49,567	-	-	1,691	51,258
Bills and bonds sold under repurchase agreements	145,883,179	39,298,675	2,721,818	115,226	-	188,018,898
Payables	1,093,095	55,976	309,460	906,858	65,974	2,431,363
Deposits and remittances	45,081,502	75,571,865	45,197,884	47,580,591	45,947,583	259,379,425
Bank debentures payable	-	-	1,500,000	1,000,000	12,500,000	15,000,000
Other financial liabilities	4,259,658	4,718,033	1,667,612	2,438,087	7,497,442	20,580,832
Lease liabilities	12,373	28,137	40,484	60,039	229,508	370,541
	<u>\$ 223,652,315</u>	<u>\$ 120,276,046</u>	<u>\$ 51,437,258</u>	<u>\$ 52,100,801</u>	<u>\$ 66,242,198</u>	<u>\$ 513,708,618</u>
December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and other banks	\$ 21,479,755	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 28,479,755
Financial liabilities at fair value through profit or loss	-	-	-	-	1,960	1,960
Bills and bonds sold under repurchase agreements	139,138,761	39,633,058	2,450,172	11,866	-	181,233,857
Payables	1,350,419	296,256	224,223	680,370	151,903	2,703,171
Deposits and remittances	51,209,846	84,746,765	37,206,852	50,379,624	44,176,585	267,719,672
Bank debentures payable	-	1,300,000	1,000,000	600,000	13,500,000	16,400,000
Other financial liabilities	5,591,440	2,023,964	1,371,701	1,868,192	7,247,466	18,102,763
Lease liabilities	12,336	29,097	39,871	75,686	315,950	472,940
	<u>\$ 218,782,557</u>	<u>\$ 128,029,140</u>	<u>\$ 42,292,819</u>	<u>\$ 53,615,738</u>	<u>\$ 72,393,864</u>	<u>\$ 515,114,118</u>

- 4) The Group assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 29,786	\$ 12,570	\$ 9,446	\$ 11,083	\$ -	\$ 62,885
Currency swap contracts	88,795	66,584	76,687	41,124	-	273,190
Others	2,951	61	1,277	1,266	39,138	44,693
	121,532	79,215	87,410	53,473	39,138	380,768
Non-deliverable						
Interest rate swap contracts	365	-	882	1,537	6,527	9,311
	<u>\$ 121,897</u>	<u>\$ 79,215</u>	<u>\$ 88,292</u>	<u>\$ 55,010</u>	<u>\$ 45,665</u>	<u>\$ 390,079</u>

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 12,252	\$ 21,126	\$ 5,384	\$ 3,957	\$ -	\$ 42,719
Currency swap contracts	211,140	268,534	114,314	88,245	-	682,233
Others	<u>3,658</u>	<u>2,511</u>	<u>342</u>	<u>2,031</u>	<u>36,510</u>	<u>45,052</u>
	227,050	292,171	120,040	94,233	36,510	770,004
Non-deliverable						
Interest rate swap contracts	<u>-</u>	<u>-</u>	<u>2,992</u>	<u>1,158</u>	<u>14,184</u>	<u>18,334</u>
	<u>\$ 227,050</u>	<u>\$ 292,171</u>	<u>\$ 123,032</u>	<u>\$ 95,391</u>	<u>\$ 50,694</u>	<u>\$ 788,338</u>

- 5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

December 31, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 613,264	\$ 1,341,312	\$ 245,066	\$ 40,189	\$ -	\$ 2,239,831
Other guarantees	49,164,358	80,786,091	13,675,750	3,182,797	218,462	147,027,458
Loan commitments	<u>4,034,995</u>	<u>8,069,990</u>	<u>12,104,985</u>	<u>23,530,151</u>	<u>-</u>	<u>47,740,121</u>
	<u>\$ 53,812,617</u>	<u>\$ 90,197,393</u>	<u>\$ 26,025,801</u>	<u>\$ 26,753,137</u>	<u>\$ 218,462</u>	<u>\$ 197,007,410</u>
December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 500,885	\$ 309,705	\$ 99,347	\$ -	\$ -	\$ 909,937
Other guarantees	50,971,514	78,156,967	11,193,704	4,626,849	29,298	144,978,332
Loan commitments	<u>3,614,999</u>	<u>7,229,999</u>	<u>10,844,998</u>	<u>21,080,938</u>	<u>-</u>	<u>42,770,934</u>
	<u>\$ 55,087,398</u>	<u>\$ 85,696,671</u>	<u>\$ 22,138,049</u>	<u>\$ 25,707,787</u>	<u>\$ 29,298</u>	<u>\$ 188,659,203</u>

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices, commodity prices etc.) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manages the market risk with active, careful attitude.

The Bank makes the profit mainly from doing trading business through knowing how market risk factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity for profit or loss. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussions by the president, the trading department and the market risk management department, it is submitted to the Assets and Liabilities Committee and the board of directors with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposal. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

- a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the board of directors, are the top stipulation in market risk management.
- b) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to Board.
- c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT limit, 20-Day average liquidity and FS sensitivity limit to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at Risk

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the Bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest and rate changes can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

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	December 31					
	2021			2020		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 1,684	\$ 5,086	\$ 365	\$ 2,701	\$ 5,282	\$ 352
Fair value risk resulting from interest rate	2,490	4,162	1,056	4,043	6,925	1,243
Fair value resulting from stock price	14,991	31,270	4,874	9,019	16,652	1,526

6) Effect of interest rate benchmark reform

The Group is exposed to USD LIBOR and HKD HIBOR which are subject to interest rate benchmark reform. The exposures arise on non-derivative financial assets. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. HONIA (Hong Kong Dollar Overnight Index Average) is expected to replace HKD HIBOR. There are key differences among these benchmarks. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Group established USD LIBOR and HKD HIBOR transition project plans for each benchmark. These transition projects are considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications. As at December 31, 2021, the Bank has identified all the information systems and internal processes that need to be updated, and planned the update schedule. The Bank has completed the identification of the affected contracts, and expects to gradually switch to alternative interest rate indicators in 2022, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Group’s counterparties are not successfully concluded before the cessation of HKD HIBOR and USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

The following table contains details of all of the financial instruments held by the Group at December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Book Value Not Transitioned to Alternative Benchmark Rates	Transition Progress
<u>USD LIBOR financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ 4,075,429	The Group will pay close attention to the regulations of the competent authority, market development, and processing methods among other banks, and will cooperate with the issuer and counterparty to negotiate the contract revision. It is expected that the contract revision will be sold or completed in the first half of 2023.
Discounts and loans	<u>1,467,553</u>	It is expected to gradually switch to alternative interest rate indicators in 2022, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.
	<u>5,542,982</u>	
<u>HKD HIBOR financial asset</u>		
Discounts and loans	\$ <u>275,113</u>	It is expected to gradually switch to alternative interest rate indicators in 2022, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.
	<u>\$ 5,818,095</u>	

7) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Foreign Currencies (Thousands)/NT\$(Thousands)

	December 31, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,112,041	27.6897	\$ 86,171,399
JPY	3,981,910	0.2404	957,168
HKD	6,609,887	3.5506	23,468,933
EUR	23,834	31.3001	746,003
AUD	205,517	20.0948	4,129,826
RMB	3,515,948	4.3453/4.3460	15,280,308
Investments accounted for using the equity method			
RMB	202,722	4.3453	880,879
<u>Financial liabilities</u>			
Monetary item			
USD	3,972,367	27.6897	109,993,525
JPY	3,765,547	0.2404	905,159
HKD	3,221,115	3.5506	11,436,826
EUR	13,438	31.3001	420,622
AUD	47,150	20.0948	947,472
RMB	3,053,131	4.3453/4.3460	13,268,907
	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,488,873	28.5083	\$ 70,953,550
JPY	1,535,130	0.2763	424,210
HKD	6,380,651	3.6774	23,464,080
EUR	20,543	35.0416	719,868
AUD	204,922	21.9686	4,501,838
RMB	2,755,208	4.3665/4.3822	12,036,006
Investments accounted for using the equity method			
RMB	180,891	4.3665	789,863

(Continued)

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary item			
USD	\$ 2,994,593	28.5083	\$ 85,370,790
JPY	2,569,136	0.2763	709,943
HKD	4,719,183	3.6774	17,354,229
EUR	9,831	35.0416	344,494
AUD	8,597	21.9686	188,874
RMB	1,954,158	4.3665/4.3822	8,563,414
			(Concluded)

f. Banking book interest rate risk

1) Source and definition of interest rate risk of banking book

Banking book's interest rate risk means the probably loss of non-trading book's position within balance sheet and off-balance sheet arise from interest change.

2) Management strategy and process of interest rate risk of banking book

The Bank controls this interest rate risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the interest rate risk of banking book within the limit.

3) Management organization and framework of interest rate risk of banking book

a) The Board of Directors: It is the top organization to supervise interest rate risk of banking book. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the board of director are the top stipulation in bank book interest risk.

b) Assets and Liabilities Committee: In charge of stipulating risk management policy of interest rate risk of banking book and monitoring the risk management operating of interest rate risk of banking book. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the risk management conditions of interest rate risk of banking book and the result of interest rate pressure test once a month.

c) Risk Management Department: In charge of risk management of interest rate risk of banking book. According to the Bank's regulation, the department is in charge of every operation related to management of interest rate risk of banking book, including planning limits, statistics, reporting and monitoring.

4) The extent and characteristics of interest rate risk report and evaluation system of banking book

The Risk Management Department set the regulation with interest rate risk of banking book as follow, limit of position, annual stop buying maximum loss limit, FS sensitivity limit, duration limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Tier I Capital Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, net income interest rate sensitivity warning limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

In summary, it is intended to enhance the risk control framework of interest rate risk of banking book.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in special situation pressure test, and reports the result to the Assets and Liabilities Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders, and it also reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

O-Bank

	For the Year Ended December 31			
	2021		2020	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks (part of cash and cash equivalents and other financial assets)	\$ 852,282	1.12	\$ 963,688	1.19
Call loans to other banks	10,051,381	0.17	9,081,872	0.76
Due from the Central Bank	5,321,116	0.39	5,315,272	0.46
Financial assets at FVTPL	43,042,384	0.31	66,571,088	0.52
Bills and bonds purchased under resale agreements	10,236	0.09	13,156	0.13
Discounts and loans	156,824,702	1.90	172,849,123	2.17
Financial assets at FVTOCI	69,166,776	0.61	51,321,095	0.93
Receivables	1,056,555	1.49	1,218,615	1.61
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	17,992,124	0.35	32,330,827	0.68
Demand deposits	64,352,856	0.20	50,459,872	0.33
Time deposits	173,099,432	0.44	192,091,535	0.88
Bills and bonds sold under repurchase agreements	1,909,925	0.20	2,256,438	0.32
Bank debentures payable	15,273,973	1.99	17,355,191	2.02

China Bills Finance Corporation (CBF)

	For the Year Ended December 31			
	2021		2020	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents (including certificate of deposits)	\$ 347,622	0.04	\$ 765,369	0.06
Call loans to banks	127,288	0.11	67,757	0.20
Financial assets at fair value through profit or loss - bonds and bills	99,956,081	0.38	88,593,970	0.49
FVTOCI - debt instruments	100,745,035	1.19	99,597,371	1.31
Financial instruments at fair value through profit or loss - hybrid financial assets	8,935,605	1.44	9,704,665	1.47
Securities purchased under resell agreements	6,411,458	0.17	4,300,649	0.22
<u>Interest-bearing liabilities</u>				
Call loans from other banks	9,077,356	0.24	13,971,217	0.41
Bank overdraft	955	1.50	1,308	1.59
Securities sold under repurchase agreements	178,797,692	0.24	163,287,187	0.44
Commercial paper payable	4,500,000	0.33	1,885,246	0.43

47. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Groups' common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis is subject to the competent authorities. The calculation of the ratio mentioned above by competent authority regulations.

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital.

c. Capital adequacy ratio

O-Bank

Items		Year	December 31, 2021	
			Standalone Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		\$ 27,505,405	\$ 27,505,405
	Other Tier 1 capital		235,115	235,115
	Tier 2 capital		2,194,638	2,194,638
	Eligible capital		29,935,158	29,935,158
Risk-weighted assets	Credit risk	Standardized approach	184,900,099	184,900,099
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	9,483,113	9,483,113
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	9,171,150	9,171,150
		Internal model approach	-	-
	Total risk-weighted assets			203,554,362
Capital adequacy ratio			14.71%	14.71%
Ratio of common equity to risk-weighted assets			13.51%	13.51%
Ratio of Tier 1 capital to risk-weighted assets			13.63%	13.63%
Leverage ratio			7.99%	7.99%

Items		Year	December 31, 2020	
			Standalone Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		\$ 26,668,441	\$ 26,668,441
	Other Tier 1 capital		300,001	300,001
	Tier 2 capital		2,843,868	2,843,868
	Eligible capital		29,812,310	29,812,310
Risk-weighted assets	Credit risk	Standardized approach	204,697,317	204,697,317
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	9,020,363	9,020,363
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	21,536,500	21,536,500
		Internal model approach	-	-
	Total risk-weighted assets			235,254,180
Capital adequacy ratio			12.67%	12.67%
Ratio of common equity to risk-weighted assets			11.34%	11.34%
Ratio of Tier 1 capital to risk-weighted assets			11.46%	11.46%
Leverage ratio			7.49%	7.49%

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, the Bank's standalone and consolidated capital adequacy ratio shall not be lower than 10.5%. The ratio of Tier 1 capital shall not be lower than 8.5%. The ratio of common equity shall not be lower than 7.0%. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

China Bills Finance Corporation

Items		Year	December 31,	December 31,
			2021	2020
Eligible capital	Tier 1 capital		\$ 24,748,352	\$ 23,899,222
	Tier 2 capital		151,242	172,840
	Tier 3 capital		369,873	753,504
	Eligible capital		25,269,467	24,825,566
Risk-weighted assets	Credit risk		129,434,396	125,949,038
	Operational risk		4,062,412	3,807,116
	Market risk		66,290,668	64,163,236
	Total risk-weighted assets		199,787,476	193,919,390
Capital adequacy ratio (Note)			12.65%	12.80%
Ratio of Tier 1 capital to risk-weighted assets (Note)			12.39%	12.32%
Ratio of Tier 2 capital to risk-weighted assets (Note)			0.08%	0.09%
Ratio of Tier 3 capital to risk-weighted assets (Note)			0.18%	0.39%
Ratio of common shareholders' equity to total assets (Note)			5.87%	6.15%

Note: Formulas used were as follows:

- 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 2) The amount of total assets used in the calculation refers to all assets in the balance sheets.
- 3) The capital adequacy ratios (CARs) should be computed at the end of June and December. In the reports of the first-quarter and the third-quarter the CARs disclosed are based on the data of the last preceding period, i.e., the end of December and the end of June, respectively.
- 4) Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Bills Finance Companies" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Bills Finance Companies."

48. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

a. Credit risk

- 1) Asset quality of loans: See Table 4.
- 2) Concentration of credit extensions

December 31, 2021

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	\$ 6,256,678	17.20
2	B Group (real estate development)	3,973,750	10.92
3	C Group (glass and glass made products manufacturing)	3,404,716	9.36
4	D Group (real estate development)	3,311,005	9.10
5	E Group (real estate lease industry)	3,180,000	8.74
6	F Group (Insurance of the person)	2,940,000	8.08
7	G Group (real estate development)	2,432,955	6.69
8	H Group (water supply and remediation activities)	2,226,820	6.12
9	I Group (mixed concrete development)	2,195,533	6.03
10	J Group (unclassified other financial service)	2,070,000	5.69

December 31, 2020

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	\$ 6,070,402	17.07
2	F Group (unclassified other financial service)	5,000,000	14.06
3	G Group (real estate development)	3,948,600	11.11
4	B Group (real estate development)	3,463,866	9.74
5	C Group (glass and glass made products manufacturing)	2,867,564	8.06
6	K Group (retail sale of other food, beverages and tobacco in specialized stores)	2,694,711	7.58
7	H Group (water supply and remediation activities)	2,565,020	7.21
8	L Group (short-term accommodation activities)	2,506,680	7.05
9	I Group (mixed concrete development)	2,378,896	6.69
10	M Group (ocean transportation)	2,288,233	6.44

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with 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 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings”

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including 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 overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

b. Market risk

**Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2021**

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 152,300,462	\$ 20,291,583	\$ 18,349,678	\$ 24,096,996	\$ 215,038,719
Interest rate-sensitive liabilities	65,201,377	63,211,840	45,089,611	35,110,497	208,613,325
Interest rate-sensitive gap	87,099,085	(42,920,257)	(26,739,933)	(11,013,501)	6,425,394
Net worth					32,391,717
Ratio of interest rate-sensitive assets to liabilities					103.08%
Ratio of interest rate sensitivity gap to net worth					19.84%

December 31, 2020

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 166,617,648	\$ 27,109,896	\$ 19,442,085	\$ 13,240,863	\$ 226,410,492
Interest rate-sensitive liabilities	86,971,113	53,710,041	46,607,835	31,028,330	218,317,319
Interest rate-sensitive gap	79,646,535	(26,600,145)	(27,165,750)	(17,787,467)	8,093,173
Net worth					31,587,200
Ratio of interest rate-sensitive assets to liabilities					103.71%
Ratio of interest rate sensitivity gap to net worth					25.62%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank and excluded contingent assets and contingent liabilities items.

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

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

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

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 2021

(In Thousands of U.S. Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,133,803	\$ 21,691	\$ -	\$ 1,414,647	\$ 2,570,141
Interest rate-sensitive liabilities	1,080,612	1,217,122	120,832	508	2,419,074
Interest rate-sensitive gap	53,191	(1,195,431)	(120,832)	1,414,139	151,067
Net worth					126,544
Ratio of interest rate-sensitive assets to liabilities					106.24%
Ratio of interest rate sensitivity gap to net worth					119.38%

December 31, 2020

(In Thousands of U.S. Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,386,743	\$ 45,633	\$ 14,858	\$ 838,439	\$ 2,285,673
Interest rate-sensitive liabilities	1,142,565	874,559	148,455	40	2,165,619
Interest rate-sensitive gap	244,178	(828,926)	(133,597)	838,399	120,054
Net worth					120,088
Ratio of interest rate-sensitive assets to liabilities					105.54%
Ratio of interest rate sensitivity gap to net worth					99.97%

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

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

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

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

c. Liquidity risk

1) Profitability

(In %)

Items	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Return on total assets	Before income tax	0.63
	After income tax	0.37
Return on equity	Before income tax	0.57
	After income tax	0.35
Net income ratio	Before income tax	5.60
	After income tax	3.59
	33.40	24.67

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

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

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

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

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2021

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 252,962,571	\$ 49,606,865	\$ 13,769,195	\$ 24,172,783	\$ 31,312,899	\$ 25,351,214	\$ 108,749,615
Main capital outflow on maturity	290,582,062	22,516,947	28,684,600	58,640,450	41,329,378	69,994,808	69,415,879
Gap	(37,619,491)	27,089,918	(14,915,405)	(34,467,667)	(10,016,479)	(44,643,594)	39,333,736

December 31, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 262,332,096	\$ 64,095,871	\$ 20,700,615	\$ 22,974,910	\$ 23,836,815	\$ 30,968,773	\$ 99,755,112
Main capital outflow on maturity	295,589,959	18,721,529	26,002,566	72,207,928	33,181,228	67,024,836	78,451,872
Gap	(33,257,863)	45,374,342	(5,301,951)	(49,233,018)	(9,344,413)	(36,056,063)	21,303,240

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 4,367,803	\$ 1,828,104	\$ 961,934	\$ 405,965	\$ 348,921	\$ 822,879
Main capital outflow on maturity	4,496,465	1,915,031	1,073,733	646,113	332,035	529,553
Gap	(128,662)	(86,927)	(111,799)	(240,148)	16,886	293,326

December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,300,572	\$ 989,563	\$ 742,797	\$ 349,232	\$ 248,629	\$ 970,351
Main capital outflow on maturity	3,381,571	1,122,743	933,356	429,820	268,086	627,566
Gap	(80,999)	(133,180)	(190,559)	(80,588)	(19,457)	342,785

Note 1: The above amounts included only U.S. dollar amounts held by the Bank.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Branch's Assets and Liabilities (U.S. Dollars)
December 31, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,727,352	\$ 1,110,761	\$ 299,055	\$ 42,184	\$ 65,770	\$ 209,582
Main capital outflow on maturity	1,718,524	792,860	400,188	197,111	94,077	234,288
Gap	8,828	317,901	(101,133)	(154,927)	(28,307)	(24,706)

December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,189,456	\$ 646,460	\$ 127,635	\$ 52,502	\$ 45,992	\$ 316,867
Main capital outflow on maturity	1,169,148	328,887	276,564	143,306	114,680	305,711
Gap	20,308	317,573	(148,929)	(90,804)	(68,688)	11,156

China Bills Finance Corporation

a. Asset quality

Item	Period	December 31, 2021	December 31, 2020
Balance of guarantees and endorsement credits overdue within 3 months		\$ -	\$ -
Nonperforming debts (include overdue receivables)		-	-
Credits under observation		-	-
Overdue receivables		-	-
Ratio of non-performing debts		0.00%	0.00%
Ratio of non-performing debts and credits under observation		0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees		1,375,981	1,196,691
Actual provision for credit losses and reserve for losses on guarantees		1,382,077	1,375,077

b. The principal operation

Item	Period	December 31, 2021	December 31, 2020
Balance of guarantees and endorsement securities		\$ 112,558,100	\$ 109,165,300
Multiple of guarantees and endorsement securities to net worth		4.71	4.84
Short-term bills and bonds sold under repurchase agreement		\$ 187,122,588	\$ 179,794,171
Multiple of short-term bills and bonds sold under repurchase agreement to net worth		7.83	7.98

c. The provision policy and allowance for doubtful accounts, refer to Note 13.

d. Concentrations of credit extensions

(In %)

Item	Period	December 31, 2021		December 31, 2020	
	Credit of the common interested party		\$ -		\$ -
Ratio of credit extensions to common interest parties		-		-	
Ratio of credit extensions secured by pledged share		19.28		22.68	
Loan concentration by industry (ratio of top three industries to which credit line issued to credit extension balance)	Type of Industry	%	Type of Industry	%	
	Finance and insurance industry	30.86	Finance and insurance industry	32.73	
	Real estate industry	26.65	Real estate industry	26.38	
	Manufacturing industry	20.48	Manufacturing industry	21.57	

Note 1: Ratio of credit extensions to common interest related parties: Credit to common interest related party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable).

e. Interest rate sensitivity information of the balance sheet

December 31, 2021

(In Millions of New Taiwan Dollars)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 106,430	\$ 12,173	\$ 11,795	\$ 94,735	\$ 225,133
Interest rate-sensitive liabilities	197,818	2,719	115	-	200,652
Interest rate-sensitive gap	(91,388)	9,454	11,680	94,735	24,481
Net worth					25,557
Ratio of interest rate-sensitive assets to liabilities (%)					112.20
Ratio of interest rate sensitivity gap to net worth (%)					95.79

December 31, 2020

(In Millions of New Taiwan Dollars)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 101,567	\$ 8,343	\$ 7,059	\$ 97,571	\$ 214,540
Interest rate-sensitive liabilities	187,907	2,447	12	-	190,366
Interest rate-sensitive gap	(86,340)	5,896	7,047	97,571	24,174
Net worth					25,449
Ratio of interest rate-sensitive assets to liabilities (%)					112.70
Ratio of interest rate sensitivity gap to net worth (%)					94.99

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

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

f. The use of funding sources table

December 31, 2021

(In Millions of New Taiwan Dollars)

Items		Period				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	\$ 49,705	\$ 46,434	\$ 6,962	\$ 117	\$ -
	Bonds	2,050	2,322	5,211	11,678	94,735
	Due from banks	255	-	-	-	-
	Call loans	300	-	-	-	-
	Securities purchased under resell agreements	4,864	500	-	-	-
	Total	57,174	49,256	12,173	11,795	94,735
Cash provided by	Borrowing	11,096	2,499	-	-	-
	Securities sold under repurchase agreements	145,214	39,009	2,719	115	-
	Eligible capital	-	-	-	-	25,557
	Total	156,310	41,508	2,719	115	25,557
Net cash flows		(99,136)	7,748	9,454	11,680	69,178
Accumulated cash flows		(99,136)	(91,388)	(81,934)	(70,254)	(1,076)

December 31, 2020

(In Millions of New Taiwan Dollars)

Items		Period				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	\$ 55,095	\$ 37,074	\$ 3,944	\$ 101	\$ -
	Bonds	1,599	2,801	4,399	6,958	97,571
	Due from banks	265	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	4,162	571	-	-	-
	Total	61,121	40,446	8,343	7,059	97,571
Cash provided by	Borrowing	10,639	-	-	-	-
	Securities sold under repurchase agreements	138,066	39,202	2,447	12	-
	Eligible capital	-	-	-	-	25,449
	Total	148,705	39,202	2,447	12	25,449
Net cash flows		(87,584)	1,244	5,896	7,047	72,122
Accumulated cash flows		(87,584)	(86,340)	(80,444)	(73,397)	(1,275)

g. Matters requiring special notation

Causes	December 31, 2021	December 31, 2020
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT\$50 million dollars	None	None
Other	None	None

Note: The term "within the past year" means one year before the balance sheet date.

49. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2021

	January 1, 2021	Cash Inflow (Outflow)	None-cash Change		December 31, 2021
			Add Leasing	Other	
Bank debentures payable	\$ 16,400,000	\$ (1,400,000)	\$ -	\$ -	\$ 15,000,000
Lease liabilities	444,659	(178,417)	66,793	17,335	350,370
Other financial liabilities	18,102,763	2,521,474	-	(43,405)	20,580,832
Other liabilities	<u>2,249,555</u>	<u>470,024</u>	<u>-</u>	<u>-</u>	<u>2,719,579</u>
	<u>\$ 37,196,977</u>	<u>\$ 1,413,081</u>	<u>\$ 66,793</u>	<u>\$ (26,070)</u>	<u>\$ 38,650,781</u>

For the year ended December 31, 2020

	January 1, 2020	Cash Inflow (Outflow)	None-cash Change		December 31, 2020
			Add Leasing	Other	
Bank debentures payable	\$ 18,700,000	\$ (2,300,000)	\$ -	\$ -	\$ 16,400,000
Lease liabilities	498,832	(175,620)	52,701	68,746	444,659
Other financial liabilities	12,909,259	5,152,844	-	40,660	18,102,763
Other liabilities	<u>2,416,851</u>	<u>(168,551)</u>	<u>-</u>	<u>1,255</u>	<u>2,249,555</u>
	<u>\$ 34,524,942</u>	<u>\$ 2,508,673</u>	<u>\$ 52,701</u>	<u>\$ 110,661</u>	<u>\$ 37,196,977</u>

50. OTHERS

The Group has evaluated the economic impact of the COVID-19. Until the issue date of the consolidated financial statements, the Group found no significant impact on its financial condition and operations through its relevant risk management and control procedures.

51. ADDITIONAL DISCLOSURES

- a. Related information of significant transactions and investees and
- b. Names, locations, and other information of investees over which the Bank exercises significant influence
 - 1) Financing provided: The Group - not applicable; investees - Table 1 (attached)
 - 2) Endorsement/guarantee provided: The Group - not applicable; investees - Table 2 (attached)
 - 3) Marketable securities held: The Group - not applicable; investees - Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT \$300 million or 10% of the paid-in capital: None
 - 5) Acquisition of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least NT \$5 million: None
 - 8) Receivables from related parties amounting to at least NT \$300 million or 10% of the paid-in capital: None
 - 9) Sale of non-performing loans: None
 - 10) Information of applying for authorization of securitized product type according to the “Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization”: None
 - 11) Other significant transactions which may affect the decisions of users of individual financial reports: None
 - 12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Bank exercises significant influence.” - Table 5 (attached)
 - 13) Derivative instrument transactions: Note 8
- c. Investment in mainland China: Table 6 (attached)
- d. Business relationships and significant transactions among the Group: Table 7 (attached)
- e. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8 (attached)

52. OPERATING SEGMENT FINANCIAL INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4. The same significant accounting policies. The Group shall be reported to the operating divisions are as follows:

- a. Bank: Business ruled by Banking Law Article 71.
- b. Overseas: Overseas banking business.
- c. Leasing: Leasing business.
- d. Bills: Bills-related business approved by the competent authority.
- e. Others: Other non-core businesses.

The following was an analysis of the Group's revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the year ended December 31, 2021							
Net interest							
From unaffiliated segment	\$ 2,210,773	\$ 839,370	\$ 852,804	\$ 756,831	\$ (165)	\$ 314	\$ 4,659,927
From other segment	(478)	-	59	-	3	416	-
	<u>\$ 2,210,295</u>	<u>\$ 839,370</u>	<u>\$ 852,863</u>	<u>\$ 756,831</u>	<u>\$ (162)</u>	<u>\$ 730</u>	<u>\$ 4,659,927</u>
Net revenue other than interest							
From unaffiliated segment	\$ 3,262,554	\$ 71,150	\$ 638,350	\$ 2,120,519	\$ 36,918	\$ -	\$ 6,129,491
From other segment	38,451	-	(12,977)	(30,049)	5,278	(1,475,309)	(1,474,606)
	<u>\$ 3,301,005</u>	<u>\$ 71,150</u>	<u>\$ 625,373</u>	<u>\$ 2,090,470</u>	<u>\$ 42,196</u>	<u>\$ (1,475,309)</u>	<u>\$ 4,654,885</u>
Income from continuing operation	\$ 1,840,842	\$ 345,332	\$ 564,818	\$ 1,857,666	\$ 26,206	\$ (1,430,244)	\$ 3,204,620
Identifiable assets	\$ 298,609,018	\$ 27,666,690	\$ 19,804,517	\$ 228,733,880	\$ 261,932	\$ 4,632	\$ 575,080,669
Depreciation and amortization	\$ 525,492	\$ 47,718	\$ 59,395	\$ 12,759	\$ 814	\$ (8,221)	\$ 637,957
Capital expenditures	\$ 56,273	\$ 448	\$ 33,992	\$ 6,270	\$ 79	\$ -	\$ 97,062
For the year ended December 31, 2020							
Net interest							
From unaffiliated segment	\$ 1,915,840	\$ 872,908	\$ 692,110	\$ 543,548	\$ (149)	\$ 417	\$ 4,024,674
From other segment	(1,257)	-	4	-	6	1,222	(25)
	<u>\$ 1,914,583</u>	<u>\$ 872,908</u>	<u>\$ 692,114</u>	<u>\$ 543,548</u>	<u>\$ (143)</u>	<u>\$ 1,639</u>	<u>\$ 4,024,649</u>
Net revenue other than interest							
From unaffiliated segment	\$ 2,710,187	\$ 82,805	\$ 362,766	\$ 1,990,326	\$ 15,321	\$ -	\$ 5,161,405
From other segment	26,705	-	(5,370)	(26,703)	6,065	(1,130,260)	(1,129,563)
	<u>\$ 2,736,892</u>	<u>\$ 82,805</u>	<u>\$ 357,396</u>	<u>\$ 1,963,623</u>	<u>\$ 21,386</u>	<u>\$ (1,130,260)</u>	<u>\$ 4,031,842</u>
Income from continuing operation	\$ 1,147,403	\$ 279,881	\$ 389,218	\$ 1,578,242	\$ 6,442	\$ (1,087,680)	\$ 2,313,506
Identifiable assets	\$ 313,101,403	\$ 28,660,049	\$ 15,061,923	\$ 218,284,001	\$ 272,563	\$ 33,691	\$ 575,413,630
Depreciation and amortization	\$ 526,662	\$ 52,230	\$ 43,757	\$ 13,370	\$ 922	\$ (8,164)	\$ 628,777
Capital expenditures	\$ 63,432	\$ 288	\$ 20,478	\$ 7,618	\$ 4	\$ 199	\$ 92,019

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

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 Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3)	Aggregate Financing Limits (Notes 4)	Note		
													Item	Value					
1	IBT Leasing	Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	\$ 50,000	\$ 38,021	\$ 38,021	2-8	2	\$ -	- Working capital turnover	\$ 504	Margin	\$ 10,000	\$ 330,631	\$ 1,322,524			
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	40,000	37,887	37,887	2-8	2	-	- Working capital turnover	574	Margin	6,000	330,631	1,322,524			
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	135,000	110,700	110,700	2-8	2	-	- Working capital turnover	1,993	Stock	64,680	330,631	1,322,524			
		Taroko Entertainment Co., Ltd.	Account receivable - short-term accommodations	No	38,907	-	-	2-8	2	-	- Working capital turnover	-	Stock	-	330,631	1,322,524			
		Priority International Finance	Account receivable - short-term accommodations	No	24,000	509	509	2-8	2	-	- Working capital turnover	9	Certificate of deposit	1,200	330,631	1,322,524			
		Qiaoding Investment Co., Ltd.	Account receivable - short-term accommodations	No	96,000	84,000	84,000	2-8	2	-	- Working capital turnover	1,512	Stock/real estate	51,830	330,631	1,322,524			
		Taiwan Star Telecom Corporation Limited	Account receivable - short-term accommodations	No	150,000	50,643	50,643	2-8	1	150,000	-	658	Equipment	33,152	330,631	3,306,309			
		Teaphon Energy Co., Ltd.	Account receivable - short-term accommodations	No	120,000	86,477	86,477	2-8	2	-	- Working capital turnover	1,557	-	-	330,631	1,322,524			
		Home Credit Vietnam Finance Co. Ltd	Account receivable - short-term accommodations	No	41,715	41,535	41,535	2-8	2	-	- Working capital turnover	542	Account receivable	-	330,631	1,322,524			
		VPPBank Finance Co. Ltd	Account receivable - short-term accommodations	No	111,239	110,759	83,069	2-8	2	-	- Working capital turnover	1,084	Account receivable/pledge receivable	-	330,631	1,322,524			
		2	IBT International Leasing Corp.	Suzhou Leading Car Service Co. Ltd.	Entrusted loans	No	15,054	-	-	6-16	2	-	- Working capital turnover	-	-	-	312,529	1,250,114	
				Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	15,054	-	-	6-16	2	-	- Working capital turnover	-	-	-	312,529	1,250,114	

Note 1: Explanation:

- Issuing entity: 0.
- Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business "1"; short-term financial intermediation "2".

Note 3: IBT Leasing and IBT International Leasing Corp. loaned to individual company were limited by 10% net assets.

Note 4: Each issuing entity's total amount of loans was limited to 40% of IBT Leasing Corp.'s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100% of the Corporation net assets.

O-BANK AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021**
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
1	IBT Leasing	IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd.	b b	\$ 26,450,470 26,450,470	\$ 10,220,376 80,000	\$ 8,515,411 80,000	\$ 6,647,184 -	\$ - -	257.55 2.42	\$ 39,675,705 39,675,705	No No	No No	Yes No

Note 1: Explanation:

- a. Issuing entity: 0.
- b. Invested companies were sequentially numbered from 1.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

- a. Trading partner.
- b. Directly and indirectly owns over 50% of the common stocks of the subsidiary.
- c. Companies that directly and indirectly hold more than 50% of the voting rights of the company.
- d. The company directly or indirectly holds more than 90% of the voting shares.
- e. Guaranteed by the Bank according to the construction contract.
- f. An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.
- g. The inter-industry is engaged in joint and several guarantees for the performance of the pre-sale house sales contract in accordance with the Consumer Protection Law.

Note 3: Based on the IBT International Leasing Corp.'s guidelines, the maximum amount of guarantee to its subsidiary, is up to eight times of the IBT International Leasing Corp.'s net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the IBT International Leasing Corp is up to twelve times of the Bank's net value.

Note 4: The endorsement belongs to the grandson company from IBT International Leasing Corp.

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars and U.S. dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	
IBT Holdings	Stocks EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US\$ 193,970	91.78	US\$ 193,970
IBT Management Corp.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	27,867	1.02	27,867
	Stocks Thunder Tiger Biotechnology Co., Ltd	-	Financial asset at FVTPL	1,773	39,329	7.38	39,329
	TaiRx Co., Ltd	-	Financial asset at FVTPL	511	27,147	0.57	27,147
	Beauty Essentials International Ltd. (Samoa)	-	Financial asset at FVTPL	25,974	31,379	2.41	31,379
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	15,044	2.17	15,044
	Shihlien China Holding Corp.	-	Financial asset at FVTPL	19,682	89,367	0.46	89,367
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	400	17,140	0.18	17,140
IBT Leasing Co., Ltd.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	111,689	4.09	111,689
	Stocks IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,969,021	95.00	2,969,021
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	708,218	100.00	708,218
	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	Financial asset at FVTOCI	553	32,033	0.16	32,033
	Shihlien China Holding Corp.	-	Financial asset at FVTOCI	32,500	147,568	0.75	147,568
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	1,700	72,845	0.77	72,845
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	14,000	127,540	4.67	127,540

(Continued)

O-BANK AND SUBSIDIARIES

NONPERFORMING LOANS AND ACCOUNTS RECEIVABLE

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars or in %)

Period	December 31, 2021					December 31, 2020				
	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	\$ 403,576	\$ 71,506,153	0.56%	\$ 1,017,517	252.13%	\$ 418,641	\$ 74,359,778	0.56%	\$ 910,746	217.55%
	231,441	60,333,924	0.38%	866,270	374.29%	268,279	64,041,050	0.42%	860,294	320.67%
Housing mortgage (Note 4)	-	13,360,217	-	200,760	-	7,544	15,334,873	0.05%	230,205	3,051.50%
Cash card	-	-	-	-	-	-	-	-	-	-
Consumer banking	-	1,931,948	-	26,515	-	310	1,537,037	0.02%	19,537	6,302.26%
	-	5,235,713	-	52,704	-	999	5,941,536	0.02%	59,492	5,955.16%
Other (Note 6)	14,843	6,678,039	0.22%	133,907	902.16%	9,246	4,886,019	0.19%	103,155	1,115.67%
	649,860	159,045,994	0.41%	2,297,673	353.56%	705,019	166,100,293	0.42%	2,183,429	309.70%
Total lending business	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards	-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 7)	-	1,568,952	-	16,499	-	-	869,297	-	9,380	-
	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable	Exempt from Reporting the Total Balance of Overdue Account Receivable	Exempt from Reporting the Total Balance of Overdue Account Receivable	Exempt from Reporting the Total Balance of Overdue Account Receivable
Exempt amount - due to debt negotiation and performance (Note 8)	\$ -	-	-	\$ -	-	\$ -	-	\$ -	-	-
Debt settlement plan and rehabilitative program (Note 9)	98,026	98,026	-	-	-	79,994	79,994	-	-	-
Total	98,026	98,026	-	-	-	79,994	79,994	-	-	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are 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 2: Ratio of Nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of Nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 2005 and are not credit cards or cash cards.

Note 6: "Others" in consumer finance refers to other secured or unsecured consumer loans that are not "residential property mortgage", "cash cards", "small amount pure credit loans", excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as Nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

(Continued)

Note 8: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the “Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association” should include supplemental disclosures of related matters.

Note 9: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 date September 20, 2016 regarding the “Consumer Debt Clearance Regulations” for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

(Concluded)

O-BANK CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEE OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment			Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total Stocks (Thousands)	
<u>Financial institution</u>									
Investments accounted for using the equity method									
Beijing Sunshine Consumer Finance Co., Ltd.	Beijing City, China	Financing business	20.00	\$ 880,879	\$ 94,846	200,000	-	200,000	20.00
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	7,183,258	526,998	382,532	-	382,532	28.48
IBT Holdings Corp.	California, America	Holding company	100.00	5,406,277	316,906	10,869	-	10,869	100.00
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	3,306,821	478,102	288,087	-	288,087	100.00
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	256,504	4,097	13,400	-	13,400	100.00
Financial assets at FVTOCI									
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	1,574	-	300	-	300	0.50
<u>Non-financial institution</u>									
Investments accounted for using the equity method									
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	301,673	(4,955)	318,281	-	318,281	99.75
Financial assets at FVTOCI									
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	33,610	-	6,997	-	6,997	8.82
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	7,967	-	244	-	244	2.18

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,799,829 (US\$ 65,000)	Note 2 d.	\$ 1,462,015 (US\$ 52,800)	\$ -	\$ -	\$ 1,462,015 (US\$ 52,800)	100.00 (Note 6)	\$ 414,771 (Notes 3 and 7)	\$ 2,969,021 (Note 7)	\$ -
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,151,736 (US\$ 800,000)	Note 2 c.	123,413 (US\$ 4,457)	-	-	123,413 (US\$ 4,457)	0.75	-	(US\$ 123,413 4,457)	-
Shihlien Brine Huanan Co.	Production of glass materials	886,069 (US\$ 32,000)	Note 2 c.	10,494 (US\$ 379)	-	-	10,494 (US\$ 379)	0.75	-	(US\$ 10,494 379)	-

Accumulated Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$ 1,595,922 (US\$57,656)	\$ 1,595,922 (US\$57,656)	Note 5

IBT Management Corp.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Notes 1 and 9)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
Shanghai Dounitshi F&B Management Co., Ltd.	Restaurant retailing	\$ 119,896 (US\$ 4,330)	Note 2 c.	\$ 1,994 (US\$ 72)	\$ -	\$ -	\$ 1,994 (US\$ 72)	2.17	\$ -	\$ 1,994 (US\$ 72)	\$ -
Topping Cuisine International Holding, Ltd.	Food retailing	143,986 (US\$ 5,200)	Note 2 c.	11,740 (US\$ 424)	-	-	11,740 (US\$ 424)	2.17	-	(US\$ 11,740 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,538 (US\$ 200)	Note 2 c.	194 (US\$ 7)	-	-	194 (US\$ 7)	2.17	-	(US\$ 194 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	83,069 (US\$ 3,000)	Note 2 c.	19,050 (US\$ 688)	-	-	19,050 (US\$ 688)	2.41	-	(US\$ 19,050 688)	-
Meike information technology	Cosmetic retailing information technology	47,072 (US\$ 1,700)	Note 2 c.	803 (US\$ 29)	-	-	803 (US\$ 29)	0.93	-	(US\$ 803 29)	-
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,151,736 (US\$ 800,000)	Note 2 c.	74,734 (US\$ 2,699)	-	-	74,734 (US\$ 2,699)	0.46	-	(US\$ 74,734 2,699)	-
Shihlien Brine Huanan Co.	Production of glass materials	886,069 (US\$ 32,000)	Note 2 c.	6,341 (US\$ 229)	-	-	6,341 (US\$ 229)	0.46	-	(US\$ 6,341 229)	-

Accumulated Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$ 114,856 (US\$4,148)	\$ 114,856 (US\$4,148)	\$ 153,897 (Note 8)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,799,829 (US\$ 65,000)	Note 2 d.	\$ 337,814 (US\$ 12,200)	\$ -	\$ -	\$ 337,814 (US\$ 12,200)	5.00	\$ 21,830 (Notes 3 and 7)	\$ 156,264 (Note 7)	\$ -

Accumulated Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$337,814 (US\$12,200)	\$337,814 (US\$12,200)	\$424,931 (Note 8)

Note 1: The amount is after the exchange rate adjustment for the year ended December 31, 2021.

Note 2: There were five investment approaches stated as follows.

- Investment in mainland China by remittance via a third country.
- Indirect investment in mainland China via setting a company in a third country.
- Indirect investment in mainland China via investing in a current company in a third country. (Via investing Dio Investment, Ltd., Shengzhuang Holding, Ltd., Shilien China Holding Co., Limited, Topping Cuisine International Holding, Ltd., and Beauty Essential International, Ltd.)
- Direct investment in mainland China.
- Others.

Note 3: From financial statements audited by other CPA.

Note 4: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under "the regulation of investing or technology-cooperation in China".

Note 5: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Development Bureau of the Ministry of Economic Affairs in line with the operational headquarters in September 2021, so it is not under "the regulation of investing or technology-cooperation in China".

Note 6: IBT Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. on January 1, 2019. IBT Leasing Co., Ltd. holds 95% stock of IBT International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 7: The accumulated investment amount of IBT Tianjin International Leasing Corp., which included the investment profit and loss and the book value of the investment at the end of the period, is composed of 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 8: The original investment is within the limit.

Note 9: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

(Concluded)

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Total Revenue or Total Assets
				Financial Statement Account	Amounts	Trading Terms	
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTV7 and IBTS	a	Deposits	\$ 285,115	Note 3	0.05
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTV7 and IBTS	a	Interest expense	478	Note 3	0.01
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTS	a	Payables	118	Note 3	-
0	The Bank	IBTM, CBF and IBT Leasing	a	Other net revenue other than interest	38,451	Note 3	0.41
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	50,316	Note 3	0.01
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	78	Note 3	-
1	Chun Teng New Century	The Bank	b	Accounts receivable	16	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Discontinued operations - other operating and administrative expenses	686	Note 3	0.01
2	IBTM	The Bank	b	Cash and cash equivalents	7,578	Note 3	-
2	IBTM	The Bank	b	Interest revenue	3	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	775	Note 3	0.01
2	IBTM	The Bank	b	Lease interest expense	13	Note 3	-
2	IBTM	IBTV7	c	Consultancy service income	6,056	Note 3	0.07
3	CBF	The Bank	b	Other operating and administrative expenses	30,049	Note 3	0.32

(Continued)

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Total Revenue or Total Assets
				Financial Statement Account	Amounts	Trading Terms	
4	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	\$ 50,577	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	79	Note 3	-
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	18	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	53,241	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	54	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	8	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	13,458	Note 3	-
6	IBTL	The Bank	b	Interest revenue	59	Note 3	-
6	IBTL	The Bank	b	Lease interest expense	300	Note 3	-
6	IBTL	The Bank	b	Other operating and administrative expenses	7,456	Note 3	0.08
6	IBTL	The Bank	b	Accounts receivable	1	Note 3	-
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	686	Note 3	0.01
7	IBTV C7	The Bank	b	Cash and cash equivalents	2,253	Note 3	-
7	IBTV C7	The Bank	b	Interest revenue	1	Note 3	-
7	IBTV C7	IBTM	c	Other operating and administrative expenses	6,056	Note 3	0.07
8	IBTS	The Bank	b	Cash and cash equivalents	107,692	Note 3	0.02
8	IBTS	The Bank	b	Accounts receivable	75	Note 3	-
8	IBTS	The Bank	b	Discontinued operations - interest revenue	204	Note 3	-

Note 1: Information about the business transactions between the Bank and its subsidiaries were classified as follows:

- a. 0 for the Bank.
- b. Subsidiaries are numbered sequentially starting from the number 1.

(Continued)

Note 2: The types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)

O-BANK AND SUBSIDIARIES

**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ming Shan Investment Co., Ltd.	386,271,554	12.74
Yi Chang Investment Co., Ltd.	289,007,997	9.53
Taixuan Investment Co., Ltd.	287,135,501	9.47

Note 1: The major shareholder's information on this table is on the last business day at the end of the quarter from the Taiwan Central Depository and Clearing Co., Ltd. The shareholding included shares that the company has completed the delivery of the common stock and preferred stock without physical registration (including treasury shares) of more than 5%. The share capital recorded in the Bank's consolidated financial report and the actual number of shares has been actually delivered without physical registration. Differences, if any, may be due to the basis of preparation and calculation.

Note 2: If shareholders transfer the shareholding to a trust, the trustee will open the trust account to separate the account. Shareholders' handling of insider shareholdings with more than 10% of their shares shall be in accordance with the Securities Exchange Act. However, their shareholdings include their own shares plus their delivery to the trust and the use of decision-making shares in the trust property. Information on insider equity declaration refers to the Public Information Observatory.

Note 3: The number of shares are the total number of common stocks and preferred stocks.

Note 4: Shareholding ratio (%) = The total number of shares held by the shareholder ÷ The total number of shares that have been delivered without physical registration. It is calculated to the second decimal place and rounded off after the third decimal place.

O-Bank Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank Co., Ltd.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis for Opinion

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

Key Audit Matters

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

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2021 are as follows:

Allowance for Credit Losses of Loans

The Bank is engaged principally in providing loans to customers. The Bank's management performed loans impairment assessment in accordance with the requirements of International Financial Reporting Standard 9, “Financial Instruments”. In addition, the allowance for credit losses of loans was calculated and classified in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (referred to as “Banking Institutions Regulations Governing the Procedures for Bad Debt”).

For details about the accounting policy on the allowance for credit losses, refer to Note 4 to the accompanying financial statements; for details about the critical accounting judgments, estimations and assumptions of loan impairment, refer to Note 5 to the accompanying financial statements; and for details about the allowance for credit losses, refer to Note 12 to the accompanying financial statements.

The Bank shall assess the classification of credit-granting assets and recognize allowance for credit losses of loans in accordance with the “Banking Institutions Regulations Governing the Procedures for Bad Debt”. As the assessment and recognition of loss allowance involve subjective judgments, critical estimations and assumptions of the management, we have included the assessment of allowance for credit losses of loans as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

- We obtained an understanding and performed testing on the internal controls in respect of the Bank’s loan impairment assessment.
- We examined that the classifications of loans were in accordance with the “Banking Institutions Regulations Governing the Procedures for Bad Debt”. We also recalculated the amount of the allowance for credit losses on loans and checked whether the Bank meets the requirement of the regulation or not.

Investments Accounted for Using the Equity Method - Assessment of Reserve for Loss on Guarantee Contracts

China Bills Finance Corporation, subsidiary accounted for using equity method, sets aside reserves for guarantee liabilities. It is required to comply, with both the International Financial Reporting Standard 9, “Financial Instruments”, whereby the expected losses on guarantee obligations generated by financial guarantee contracts are assessed, and the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” (referred to as the “Bills Finance Companies Regulations for Evaluating Bad Debt”), whereby the reserves for guarantee liabilities are classified and made.

For the accounting policy and details about the investments accounted for using the equity method, refer to Notes 4 and 13 to the accompanying financial statements.

China Bills Finance Corporation assesses reserve for guarantee contracts involves subjective judgements, critical estimations and assumptions of the management. The classification of credit-granting assets and recognition of the reserve for guarantee contracts in accordance with the “Bills Finance Companies Regulations for Evaluating Bad Debt” influence the amounts of the reserve for guarantee contracts. Thus, we consider the assessment of reserve losses on guarantee contracts as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

- We understood the internal controls about the estimated impairment of reserve for losses on guarantee contracts and we tested the effectiveness of the operation of the controls.
- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management of China Bills Finance Corporation used to assess the reserve. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked whether the reserve meets the requirements of the “Bills Finance Companies Regulations for Evaluating Bad Debt” or not.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuan-Hao Lee and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2022

Notice to Readers

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

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

O-BANK CO., LTD.

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

ASSETS	2021		2020	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 6)	\$ 3,801,811	1	\$ 3,566,116	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	12,265,965	4	17,127,229	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 39)	37,056,448	12	56,042,294	17
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 39 and 43)	80,744,358	26	65,178,855	20
RECEIVABLES, NET (Notes 10 and 12)	2,098,288	1	1,413,105	1
CURRENT TAX ASSETS	143,645	-	74,418	-
DISCOUNTS AND LOANS, NET (Notes 11, 12 and 38)	156,748,321	50	163,916,864	50
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 13)	17,335,412	5	16,542,108	5
OTHER FINANCIAL ASSETS (Notes 14 and 39)	771,094	-	219,108	-
PROPERTY AND EQUIPMENT, NET (Note 15)	2,365,867	1	2,489,958	1
RIGHT-OF-USE ASSETS, NET (Note 16)	182,470	-	246,147	-
INTANGIBLE ASSETS, NET (Note 17)	853,597	-	1,084,891	-
DEFERRED TAX ASSETS (Note 36)	422,953	-	367,617	-
OTHER ASSETS (Notes 16 and 18)	<u>273,322</u>	<u>-</u>	<u>584,938</u>	<u>-</u>
TOTAL	<u>\$ 315,063,551</u>	<u>100</u>	<u>\$ 328,853,648</u>	<u>100</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits From the Central Bank and other banks (Note 19)	\$ 18,780,176	6	\$ 22,339,755	7
Financial liabilities at fair value through profit or loss (Note 8)	316,245	-	637,659	-
Bills and bonds sold under repurchase agreements (Note 20)	895,966	-	1,439,016	-
Payables (Note 21)	1,617,652	-	1,925,339	1
Current tax liabilities	100,670	-	23,946	-
Deposits and remittances (Notes 22 and 38)	238,194,464	76	246,420,823	75
Bank debentures payable (Note 23)	15,000,000	5	16,400,000	5
Other financial liabilities (Note 24)	2,314,610	1	2,848,008	1
Provisions (Notes 12, 25 and 26)	509,495	-	512,847	-
Lease liabilities (Note 16)	190,235	-	253,261	-
Deferred tax liabilities (Note 36)	517,450	-	435,263	-
Other liabilities (Note 27)	<u>245,682</u>	<u>-</u>	<u>61,836</u>	<u>-</u>
Total liabilities	<u>278,682,645</u>	<u>88</u>	<u>293,297,753</u>	<u>89</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 28)				
Capital				
Common stock	27,330,063	9	27,330,063	8
Preferred stock	<u>3,000,000</u>	<u>1</u>	<u>3,000,000</u>	<u>1</u>
Total capital	<u>30,330,063</u>	<u>10</u>	<u>30,330,063</u>	<u>9</u>
Capital surplus	<u>6,734</u>	<u>-</u>	<u>5,966</u>	<u>-</u>
Retained earnings				
Legal reserve	3,729,690	1	3,697,811	1
Special reserve	797,783	-	1,396,353	1
Unappropriated earnings	<u>2,040,419</u>	<u>1</u>	<u>106,262</u>	<u>-</u>
Total retained earnings	<u>6,567,892</u>	<u>2</u>	<u>5,200,426</u>	<u>2</u>
Other equity	<u>(485,479)</u>	<u>-</u>	<u>57,744</u>	<u>-</u>
Treasury shares	<u>(38,304)</u>	<u>-</u>	<u>(38,304)</u>	<u>-</u>
Total equity	<u>36,380,906</u>	<u>12</u>	<u>35,555,895</u>	<u>11</u>
TOTAL	<u>\$ 315,063,551</u>	<u>100</u>	<u>\$ 328,853,648</u>	<u>100</u>

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

O-BANK CO., LTD.

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

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
INTEREST REVENUE (Notes 29 and 38)	\$ 3,471,339	63	\$ 4,359,827	94	(20)
INTEREST EXPENSE (Notes 29 and 38)	<u>(1,261,044)</u>	<u>(23)</u>	<u>(2,445,244)</u>	<u>(53)</u>	(48)
NET INTEREST	<u>2,210,295</u>	<u>40</u>	<u>1,914,583</u>	<u>41</u>	15
NET REVENUE OTHER THAN INTEREST REVENUE					
Service fee income, net (Notes 30 and 38)	804,356	15	583,947	13	38
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss (Note 31)	135,585	2	(840,982)	(18)	116
Realized gains on financial assets at fair value through other comprehensive income (Note 32)	267,977	5	257,439	6	4
Foreign exchange gain, net	598,310	11	1,642,073	35	(64)
Reversal of impairment loss on assets	(4,851)	-	(3,704)	-	31
Share of profit of subsidiaries and associates accounted for using equity method (Note 13)	1,415,994	26	990,158	21	43
Other net revenue other than interest (Note 38)	<u>83,634</u>	<u>1</u>	<u>107,962</u>	<u>2</u>	(23)
Total net revenue other than interest revenue	<u>3,301,005</u>	<u>60</u>	<u>2,736,893</u>	<u>59</u>	21
TOTAL NET REVENUE	<u>5,511,300</u>	<u>100</u>	<u>4,651,476</u>	<u>100</u>	18
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 12)	<u>(474,298)</u>	<u>(9)</u>	<u>(429,960)</u>	<u>(9)</u>	10

(Continued)

O-BANK CO., LTD.

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

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits expenses (Note 33)	\$ 1,666,457	30	\$ 1,611,723	35	3
Depreciation and amortization expenses (Note 34)	525,492	10	526,662	11	-
Other general and administrative expenses (Notes 35 and 38)	<u>829,983</u>	<u>15</u>	<u>846,840</u>	<u>18</u>	(2)
Total operating expenses	<u>3,021,932</u>	<u>55</u>	<u>2,985,225</u>	<u>64</u>	1
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	2,015,070	36	1,236,291	27	63
INCOME TAX EXPENSE (Note 36)	<u>174,228</u>	<u>3</u>	<u>88,888</u>	<u>2</u>	96
NET PROFIT FOR THE YEAR	<u>1,840,842</u>	<u>33</u>	<u>1,147,403</u>	<u>25</u>	60
OTHER COMPREHENSIVE INCOME (LOSS)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:					
Gains (losses) on remeasurements of defined benefit plans (Note 26)	(2,426)	-	292	-	(931)
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	630,947	11	299,035	6	111
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	<u>29,834</u>	<u>1</u>	<u>39,965</u>	<u>1</u>	(25)
Components of other comprehensive income (loss) that will not be reclassified to profit or loss, net of tax	<u>658,355</u>	<u>12</u>	<u>339,292</u>	<u>7</u>	94

(Continued)

O-BANK CO., LTD.

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

	2021		2020		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Components of other comprehensive income (loss) that will be reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	\$ (280,110)	(5)	\$ (446,246)	(10)	(37)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(254,539)	(5)	255,704	6	(200)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(498,948)	(9)	32,374	1	(1,641)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 36)	<u>31,597</u>	<u>1</u>	<u>56,165</u>	<u>1</u>	(44)
Components of other comprehensive loss that will be reclassified to profit or loss, net of tax	<u>(1,002,000)</u>	<u>(18)</u>	<u>(102,003)</u>	<u>(2)</u>	882
Other comprehensive income (loss) for the year, net of tax	<u>(343,645)</u>	<u>(6)</u>	<u>237,289</u>	<u>5</u>	(245)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,497,197</u>	<u>27</u>	<u>\$ 1,384,692</u>	<u>30</u>	8
EARNINGS PER SHARE (Note 37)					
Basic	<u>\$0.63</u>		<u>\$0.41</u>		
Diluted	<u>\$0.57</u>		<u>\$0.37</u>		

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

(Concluded)

O-BANK CO., LTD.

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

	Capital Stock (Note 28)		Capital Surplus (Note 28)	Retained Earnings (Notes 9 and 28)			Total	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Treasury Stock (Note 28)	Total Equity
	Common Stocks	Preferred Stocks		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2020	\$ 24,150,063	\$ 3,000,000	\$ 9,750	\$ 3,367,681	\$ 1,631,335	\$ 1,187,851	\$ 6,186,867	\$ (307,473)	\$ -	\$ -	\$ 33,259,203
Reversal of special reserve	-	-	-	-	(234,982)	234,982	-	-	-	-	-
Appropriation and distribution of 2019 earnings	-	-	-	330,130	-	(330,130)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	(965,203)	-	-	-	(965,203)
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	(127,500)	(965,203)	-	-	-	(965,203)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	-	-	-	(127,500)
Unclaimed dividends	-	-	329	-	-	-	-	-	-	-	329
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	424	-	-	-	-	-	-	-	424
Net profit for the year ended December 31, 2020	-	-	-	-	-	1,147,403	1,147,403	-	-	-	1,147,403
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(147)	(147)	(390,081)	-	-	237,289
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	1,147,256	1,147,256	(390,081)	-	-	1,384,692
Capital increase	3,200,000	-	(4,537)	-	-	(1,153,209)	(1,153,209)	-	-	-	2,042,254
Purchase of treasury stock	-	-	-	-	-	-	-	-	(38,304)	(38,304)	(38,304)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	112,215	112,215	-	-	-	-
BALANCE AT DECEMBER 31, 2020	27,330,063	3,000,000	5,966	3,697,811	1,396,353	106,262	5,200,426	(697,554)	755,298	(38,304)	35,555,895
Reversal of special reserve	-	-	-	-	(598,570)	598,570	-	-	-	-	-
Appropriation and distribution of 2020 earnings	-	-	-	31,879	-	(31,879)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	(545,454)	-	-	-	(545,454)
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	(127,500)	(545,454)	-	-	-	(545,454)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	-	-	-	(127,500)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	405	-	-	-	-	-	-	-	405
Unclaimed dividends	-	-	363	-	-	-	-	-	-	-	363
Net profit for the year ended December 31, 2021	-	-	-	-	-	1,840,842	1,840,842	-	-	-	1,840,842
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(2,594)	(2,594)	(248,513)	-	-	(845,645)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,838,248	1,838,248	(248,513)	-	-	1,497,197
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	202,172	202,172	-	-	-	-
BALANCE AT DECEMBER 31, 2021	27,330,063	3,000,000	6,734	3,729,690	797,783	2,040,419	6,567,892	(946,067)	460,588	(38,304)	36,380,906

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

O-BANK CO., LTD.

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 2,015,070	\$ 1,236,291
Adjustments for:		
Depreciation expense	256,010	261,527
Amortization expense	269,482	265,135
Expect credit losses/recognition of provisions	479,149	433,664
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(135,585)	840,982
Interest expense	1,261,044	2,445,244
Interest revenue	(3,471,339)	(4,359,827)
Dividends income	(188,668)	(134,398)
Share of gain of subsidiaries, associates and joint ventures accounted for using equity method	(1,415,994)	(990,158)
Gain on disposal of property and equipment	(250)	-
Gain on disposal of investments	(79,309)	(123,041)
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	724,820	(2,208,714)
Financial assets at fair value through profit or loss	18,800,017	23,858,329
Financial assets at fair value through other comprehensive income	(15,362,308)	(29,345,706)
Receivables	(907,340)	1,238,603
Discounts and loans	6,720,114	9,833,490
Deposits from the Central Bank and other banks	(3,559,579)	(6,598,774)
Bills and bonds sold under repurchase agreements	(543,050)	(1,424,532)
Payables	49,812	(477,663)
Deposits and remittances	(8,226,359)	2,775,743
Provisions	(5,752)	(31,645)
Cash used in operations	(3,320,015)	(2,505,450)
Interest received	3,497,648	4,810,708
Dividends received	526,550	413,026
Interest paid	(1,450,722)	(2,706,268)
Income taxes paid	(85,658)	(84,554)
Net cash flows used in operating activities	<u>(832,197)</u>	<u>(72,538)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	-	(863,564)
Acquisition of property and equipment	(56,273)	(63,432)
Proceeds from disposal of property and equipment	350	-
Increase in refundable deposits	-	(194,299)
Decrease in refundable deposits	326,101	-
Acquisition of intangible assets	(22,840)	(121,693)
Increase in other financial assets	-	(3,017)
Decrease in other financial assets	1,808	-

(Continued)

O-BANK CO., LTD.

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

	2021	2020
Increase in other assets	\$ (14,485)	\$ -
Decrease in other assets	<u>-</u>	<u>8,791</u>
Net cash flows generated from (used in) investing activities	<u>234,661</u>	<u>(1,237,214)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing bank debentures	1,500,000	-
Repayments of bank debentures	(2,900,000)	(2,300,000)
Increase in funds intended for specific types of loans	506,833	808,828
Repayments of funds intended for specific types of loans	(1,059,192)	(937,659)
Repayment of the principal portion of lease liabilities	(96,711)	(98,007)
Increase in other financial liabilities	18,961	-
Decrease in other financial liabilities	-	(491,810)
Increase in other liabilities	183,846	16,648
Cash dividends paid	(672,954)	(1,092,703)
Capital increase	-	2,032,000
Payments to acquire treasury shares	<u>-</u>	<u>(38,304)</u>
Net cash flows used in financing activities	<u>(2,519,217)</u>	<u>(2,101,007)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(230,202)</u>	<u>(227,173)</u>
NET DECREASE IN CASH	(3,346,955)	(3,637,932)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	<u>9,852,231</u>	<u>13,490,163</u>
CASH AND CASH EQUIVALENT AT END OF THE YEAR	<u>\$ 6,505,276</u>	<u>\$ 9,852,231</u>

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2021 and 2020:

	<u>December 31</u>	
	2021	2020
Cash and cash equivalents reported in the balance sheets	\$ 3,801,811	\$ 3,566,116
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	2,149,671	6,286,115
Other items qualifying for cash and cash equivalents under the definition of IAS 7	<u>553,794</u>	<u>-</u>
Cash and cash equivalents at end of the year	<u>\$ 6,505,276</u>	<u>\$ 9,852,231</u>

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

(Concluded)

O-BANK CO., LTD.

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

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors (the "Board") approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Co., Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Co., Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank notes; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with credit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2021, the Bank has seven main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate Finance Department, Consumer Lending Department and Wealth Management Department. It also has five domestic branches - Zhongxiao Dunhua branch, Taoyuan branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEX") starting in August 2004. On April 19, 2016, the Board passed a resolution to apply for stock listing on the Taiwan Stock Exchange ("TWSE"). The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEX to the TWSE on May 5, 2017.

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

As of December 31, 2021 and 2020, the Bank had 975 and 926 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorized for issue on March 16, 2022.

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

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively the “IFRSs”) endorsed and issued into effect by the FSC

Except for the following, the application of the IFRSs endorsed and issued into effect by the FSC did not have no material impact on the Bank’s accounting policies:

Effect of interest rate benchmark reform

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

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

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

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

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first 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.

The Bank assessed the application of the above standards would not have any material impact on the Bank’s financial position and financial performance. As of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values and the net defined benefit liabilities (assets) recognized at the fair value of the assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

When preparing these parent company only financial statements, the Bank used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Bank in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 43 for the maturity analysis of assets and liabilities.

Foreign Currencies

In preparing the Bank's financial statements, transactions in currencies other than the Bank's functional currency (i.e. foreign currencies) are recognized at the amount in original currency.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting financial statements, the functional currencies of the Bank (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Bank) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments Accounted for Using the Equity Method

The Bank uses the equity method to account for its investments in subsidiaries and associates.

Investments in subsidiaries

A subsidiary is an entity (including the special purpose entity) that is controlled by the Bank.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary. The Bank also recognizes the changes in the Bank's share of equity of subsidiaries.

Changes in the Bank's ownership interest in a subsidiary that do not result in the Bank losing control of the subsidiary are accounted for as equity transactions. The Bank recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Bank's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Bank's net investment in the subsidiary), the Bank continues recognizing its share of further loss.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

When the Bank loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Bank accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Bank directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Bank.

Investments in associates

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but does not control or joint control such policies.

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

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Bank subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Bank's proportionate interest in the associate. The Bank records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Bank's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Bank's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Bank's net investment in the associate), the Bank discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Bank has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Bank discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Bank accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not remeasure the retained interest.

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

Financial Instruments

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

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

Financial assets

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

a. Measurement categories

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

1) Financial assets at FVTPL

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

Financial assets are designated as FVTPL in the original recognition. If it can eliminate or significantly reduce the measurement or recognition inconsistency.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 42.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- a) Purchased or originated credit impaired financial asset, for which interest revenue is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not initially credit impaired or not credit impaired when purchased but subsequently become credit impaired, for which the interest revenue is calculated by applying the effective interest rate to the amortized cost of such financial assets.

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

- a) Significant financial difficulty of the issuer or the borrower;
- b) Breach of contract, such as a default;
- c) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

3) Investments in debt instruments at FVTOCI

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

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

The Bank's policy is to always recognize lifetime expected credit losses (i.e. ECLs) on trade receivables and lease receivables. For all other financial instruments, the Bank will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 90 days past due unless the Bank has reasonable and corroborative information to support a more lagged default criterion.

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

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” issued by the FSC, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers’ financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

The Bank made minimum provisions of 1%, 2%, 10%, 50% and 100% for credit assets deemed to be uncollectable, to have highly doubtful collectability, to be substandard, to be noteworthy and to have sound credit (excluding assets that represent claims against an ROC government agency), respectively.

Furthermore, the Bank should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

The Bank shall determine the unrecoverable claims and write them off after reporting them to the Board for approval.

c. Derecognition of financial assets

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

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

Equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

a. Subsequent measurement

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

- Financial liabilities at FVTPL

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

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

- 1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 2) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 3) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. The fair value is determined in the manner described in Note 42.

- Financial guarantee contracts

The Bank measures financial guarantee contract issued at the higher of:

- 1) The amount of the loss allowance determined in accordance with IFRS 9; and
- 2) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, assessment is also performed under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

Financial guarantee contracts issued by the Bank are measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the amount of the expected credit loss allowance or the amount initially recognized less cumulative amortization recognized.

b. Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

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

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

Modification of financial instruments

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

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans issued by the Banking Bureau, FSC, loans and other credits that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the Board.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest revenue or interest expenses over the term of each agreement.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Except of freehold land without depreciated, depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Property and Equipment, Right-of-use assets and Intangible Assets Other than Goodwill

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

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

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

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

Provisions

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

Onerous contracts

Onerous contracts are those in which the Bank's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Group that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection.

Revenue from brokering is recognized when the earnings process has been completed.

Dividend income from investments is recognized on the shareholders' right to receive payment. The premise is that the economic benefits related to the transaction. They are likely to flow into the Group and the amount of income can be reliably measured it.

Leases

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

The Bank as lessee

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

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Bank's defined benefit plans. The net defined benefit assets shall not exceed the present value with the refund withdrawal from the plan or the reduction of future withdrawals.

c. Staff preferential deposit

The Bank provides preferential deposit account for employees, which are used to pay fixed preferential deposits for current employees. The effect of the difference between the interest rate of these preferential deposits and the market interest rate is treated as employee benefits.

Share-based Payment Arrangements

The fair value at the grant date of the share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus. The payment is recognized as an expense in full at the grant date if vested immediately.

Taxation

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

a. Current tax

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

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

c. Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and Cash Equivalents

The cash and cash equivalent items in the balance sheet include cash on hand, demand deposits, and short-term and highly liquid investments that can be converted into fixed amount of cash at any time. They have little risk of change in value. For the statements of cash flows, the cash and cash equivalents account refers to the accounts in the balance sheets titled cash and cash equivalents, due from the Central Bank and call loans to banks, and call loans to securities firms that meet the definition of cash and cash equivalents in IAS 7 "Statement of Cash Flows" endorsed and issued into effect by the FSC.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated Impairment of Loans

The impairment of loans is based on assumptions about the risk of default and expected loss rates. The Bank uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Bank's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash on hand and petty cash	\$ 60,591	\$ 44,286
Checking for clearing	75,133	451,158
Due from banks	<u>3,666,087</u>	<u>3,070,672</u>
	<u>\$ 3,801,811</u>	<u>\$ 3,566,116</u>

The cash and cash equivalents of the cash flows and the related adjustments of the balance sheets as of December 31, 2021 and 2020, refer to the statements of cash flows.

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Reserves for deposits - Type A	\$ 2,921,318	\$ 4,091,431
Reserves for deposits - Type B	5,166,200	5,521,144
Due from Central Bank - Financial	2,001,086	1,200,031
Call loans to banks	2,149,671	6,286,115
Others	<u>27,690</u>	<u>28,508</u>
	<u>\$ 12,265,965</u>	<u>\$ 17,127,229</u>

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Hybrid financial assets		
Convertible bonds - domestic (include asset swap contracts)	\$ 688,617	\$ 520,456
Structured debt	<u>557,116</u>	<u>577,236</u>
	<u>1,245,733</u>	<u>1,097,692</u>
Derivative financial assets		
Currency swap contracts	204,154	251,526
Forward contracts	40,823	30,816
Interest rate swap contracts	5,528	8,324
Currency option contracts - call	<u>4,630</u>	<u>8,028</u>
	<u>255,135</u>	<u>298,694</u>
Non-derivative financial assets		
Negotiable certificates of deposit	27,134,702	28,880,450
Commercial papers	7,970,219	25,395,953
Stocks and beneficiary certificates	<u>450,659</u>	<u>369,505</u>
	<u>35,555,580</u>	<u>54,645,908</u>
	<u>\$ 37,056,448</u>	<u>\$ 56,042,294</u>
<u>Held-for-trading financial liability</u>		
Derivative financial instruments		
Currency swap contracts	\$ 239,724	\$ 568,576
Forward contracts	62,885	42,719
Interest rate swap contracts	9,311	18,334
Currency option contracts - put	<u>4,289</u>	<u>8,030</u>
	<u>316,209</u>	<u>637,659</u>
Non-derivative financial liabilities		
When-issued government bonds	<u>36</u>	<u>-</u>
	<u>\$ 316,245</u>	<u>\$ 637,659</u>

The Bank engages in derivative transactions, including forward contracts, currency swap contracts and currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As for the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Bank strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
Interest rate swap contracts	\$ 4,020,814	\$ 4,141,115
Currency swap contracts	97,151,449	54,617,646
Forward contracts	10,506,426	5,899,199
Currency option contracts		
Buy	388,971	368,196
Sell	307,351	368,196

Refer to Note 39 for information relating to financial assets at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Investments in equity instruments at FVTOCI	\$ 4,929,482	\$ 3,428,978
Investments in debt instruments at FVTOCI		
Government bonds	6,592,031	2,784,308
Bank debentures	12,844,660	16,475,294
Corporate bonds	19,909,386	12,196,595
Overseas government bonds	661,407	509,692
Commercial papers	6,384,497	-
Negotiable certificates of deposit	<u>29,422,895</u>	<u>29,783,988</u>
	<u>\$ 80,744,358</u>	<u>\$ 65,178,855</u>

a. Investments in equity instruments at FVTOCI

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

The Bank disposed stock classified as at FVTOCI for invested management purpose for the years end December 31, 2021 and 2020. The fair value of stocks classified as at FVTOCI which had to be disposed of were \$1,348,414 thousand and \$2,158,832 thousand and the accumulated gain or loss related to the sold assets of \$159,872 thousand gain and \$93,281 thousand gain, respectively, was transferred from other equity-unrealized valuation gain or loss on Financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$188,668 thousand and \$134,398 thousand were recognized in profit or loss for the years end December 31, 2021 and 2020. The dividends related to investments held at the end of the reporting period were \$154,333 thousand and \$129,621 thousand, respectively.

b. Investments in debt instruments at FVTOCI

Refer to Note 39 for information relating to investments in debt instruments at FVTOCI pledged as security.

Refer to Note 43 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of \$945,345 thousand and \$1,470,166 thousand, as of on December 31, 2021 and 2020, respectively.

10. RECEIVABLES, NET

	December 31	
	2021	2020
Accounts receivable	\$ 88,044	\$ 155,582
Investment settlements receivable	4,724	-
Income receivable	1,513	818
Interest receivable	317,272	340,320
Dividends receivable	4,782	2,948
Acceptances receivable	84,266	43,447
Factored receivable	1,568,952	869,297
Others	<u>70,979</u>	<u>36,052</u>
	2,140,532	1,448,464
Less: Allowance for credit losses	<u>42,244</u>	<u>35,359</u>
Receivables, net	<u>\$ 2,098,288</u>	<u>\$ 1,413,105</u>

The changes in gross carrying amount on receivables for the years ended December 31, 2021 and 2020 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 1,388,906	\$ 25,392	\$ 34,166	\$ 1,448,464
Transfers				
To 12-month ECLs	6,718	(6,717)	(1)	-
To lifetime ECLs	(2,565)	2,565	-	-
To credit-impaired financial assets	(318)	(20)	338	-
New financial assets purchased or originated	1,787,814	35,373	2,017	1,825,204
Derecognition of financial assets in the reporting period	(1,110,451)	(17,379)	(927)	(1,128,757)
Exchange rate or other changes	<u>(3,323)</u>	<u>(452)</u>	<u>(604)</u>	<u>(4,379)</u>
Balance at December 31, 2021	<u>\$ 2,066,781</u>	<u>\$ 38,762</u>	<u>\$ 34,989</u>	<u>\$ 2,140,532</u>

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 3,129,203	\$ 106,462	\$ 45,782	\$ 3,281,447
Transfers				
To 12-month ECLs	549	(535)	(14)	-
To lifetime ECLs	(12,197)	12,197	-	-
To credit-impaired financial assets	(165)	(291)	456	-
New financial assets purchased or originated	485,742	15,138	11	500,891
Derecognition of financial assets in the reporting period	(2,183,987)	(102,403)	(10,299)	(2,296,689)
Write-offs	-	-	(125)	(125)
Exchange rate or other changes	<u>(30,239)</u>	<u>(5,176)</u>	<u>(1,645)</u>	<u>(37,060)</u>
Balance at December 31, 2020	<u>\$ 1,388,906</u>	<u>\$ 25,392</u>	<u>\$ 34,166</u>	<u>\$ 1,448,464</u>

The Bank provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 12 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 43 for the impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	<u>December 31</u>	
	2021	2020
Short-term	\$ 59,370,054	\$ 51,916,182
Medium-term	75,785,145	87,703,765
Long-term	23,011,067	25,528,737
Guaranteed overdraft	138,453	142,971
Export bill negotiated	91,416	1,222
Overdue loans	649,859	704,710
Accounts receivable financing	<u>-</u>	<u>102,706</u>
	159,045,994	166,100,293
Less: Allowance for credit losses	<u>2,297,673</u>	<u>2,183,429</u>
	<u>\$ 156,748,321</u>	<u>\$ 163,916,864</u>

The changes in gross carrying amount on discount and loans for the years ended December 31, 2021 and 2020 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 148,426,945	\$ 15,978,902	\$ 1,694,446	\$ 166,100,293
Transfers				
To 12-month ECLs	2,178,996	(2,175,684)	(3,312)	-
To lifetime ECLs	(1,837,260)	1,837,260	-	-
To credit-impaired financial assets	(124,116)	(10,627)	134,743	-
New financial assets purchased or originated	88,774,324	8,127,310	386,480	97,288,114
Derecognition of financial assets in the reporting period	(90,459,667)	(12,281,830)	(619,639)	(103,361,136)
Write-offs	-	-	(350,610)	(350,610)
Exchange rate or other changes	<u>(295,204)</u>	<u>(327,400)</u>	<u>(8,063)</u>	<u>(630,667)</u>
Balance at December 31, 2021	<u>\$ 146,664,018</u>	<u>\$ 11,147,931</u>	<u>\$ 1,234,045</u>	<u>\$ 159,045,994</u>
Balance at January 1, 2020	\$ 158,371,378	\$ 15,043,738	\$ 2,991,636	\$ 176,406,752
Transfers				
To 12-month ECLs	229,306	(214,268)	(15,038)	-
To lifetime ECLs	(1,810,042)	1,810,042	-	-
To credit-impaired financial assets	(60,114)	(213,239)	273,353	-
New financial assets purchased or originated	87,184,271	10,748,564	389,554	98,322,389
Derecognition of financial assets in the reporting period	(94,749,783)	(10,895,101)	(1,421,510)	(107,066,394)
Write-offs	-	-	(496,924)	(496,924)
Exchange rate or other changes	<u>(738,071)</u>	<u>(300,834)</u>	<u>(26,625)</u>	<u>(1,065,530)</u>
Balance at December 31, 2020	<u>\$ 148,426,945</u>	<u>\$ 15,978,902</u>	<u>\$ 1,694,446</u>	<u>\$ 166,100,293</u>

The balance of the overdue loans of the Bank as of December 31, 2021 and 2020 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$21,641 thousand and \$23,762 thousand for the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, the Bank wrote off credits only upon completing the required legal procedures.

The Bank provides an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 12 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 43 for the impairment loss analysis of discounts and loans.

12. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The changes in allowance for credit losses and provisions for the years ended December 31, 2021 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2021	\$ 3,249	\$ 106	\$ 23,009	\$ 26,364	\$ 8,995	\$ 35,359
Transfers						
To 12-month ECLs	15	(15)	-	-	-	-
To lifetime ECLs	(42)	42	-	-	-	-
To credit-impaired financial assets	(181)	(11)	192	-	-	-
New financial assets purchased or originated	3,298	76	269	3,643	-	3,643
Derecognition of financial assets in the reporting period	(2,540)	(70)	(303)	(2,913)	-	(2,913)
Change in model or risk parameters	204	(8)	14	210	-	210
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	6,734	6,734
Exchange rate or other changes	(1)	(4)	(735)	(740)	(49)	(789)
Balance at December 31, 2021	<u>\$ 4,002</u>	<u>\$ 116</u>	<u>\$ 22,446</u>	<u>\$ 26,564</u>	<u>\$ 15,680</u>	<u>\$ 42,244</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2021	\$ 429,794	\$ 167,177	\$ 351,352	\$ 948,323	\$ 1,235,106	\$ 2,183,429
Transfers						
To 12-month ECLs	60,664	(60,662)	(2)	-	-	-
To lifetime ECLs	(11,553)	11,553	-	-	-	-
To credit-impaired financial assets	(61,599)	(5,281)	66,880	-	-	-
New financial assets purchased or originated	164,073	19,854	67,406	251,333	-	251,333
Derecognition of financial assets in the reporting period	(232,951)	(53,561)	(217,677)	(504,189)	-	(504,189)
Change in model or risk parameters	(22,162)	301	303,470	281,609	-	281,609
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	(350,610)	(350,610)	437,581	437,581
Write-offs	-	-	16,424	16,424	-	(350,610)
Withdrawal after write-offs	-	-	-	-	-	16,424
Exchange rate or other changes	(2,003)	(882)	-	(2,885)	(15,019)	(17,904)
Balance at December 31, 2021	<u>\$ 324,263</u>	<u>\$ 78,499</u>	<u>\$ 237,243</u>	<u>\$ 640,005</u>	<u>\$ 1,657,668</u>	<u>\$ 2,297,673</u>

Reserve for Losses on Guarantee Contracts and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2021	\$ 104,354	\$ 20,861	\$ -	\$ 125,215	\$ 330,992	\$ 456,207
Transfers						
To 12-month ECLs	2,833	(2,833)	-	-	-	-
To lifetime ECLs	-	-	-	-	-	-
New financial assets purchased or originated	91,654	5,848	-	97,502	-	97,502
Derecognition of financial assets in the reporting period	(90,659)	(5,769)	-	(96,428)	-	(96,428)
Change in model or risk parameters	(4,847)	(2,797)	-	(7,644)	-	(7,644)
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	6,860	6,860
Exchange rate or other changes	(98)	(134)	-	(232)	(84)	(316)
Balance at December 31, 2021	<u>\$ 103,237</u>	<u>\$ 15,176</u>	<u>\$ -</u>	<u>\$ 118,413</u>	<u>\$ 337,768</u>	<u>\$ 456,181</u>

The changes in allowance for credit losses and provisions for the years ended December 31, 2020 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2020	\$ 2,242	\$ 140	\$ 24,403	\$ 26,785	\$ 21,314	\$ 48,099
Transfers						
To 12-month ECLs	12	(6)	(6)	-	-	-
To lifetime ECLs	(12)	12	-	-	-	-
To credit-impaired financial assets	(1)	(14)	15	-	-	-
New financial assets purchased or originated	2,768	86	400	3,254	-	3,254
Derecognition of financial assets in the reporting period	(1,748)	(116)	(647)	(2,511)	-	(2,511)
Change in model or risk parameters	(12)	4	84	76	-	76
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	(12,043)	(12,043)
Write-offs	-	-	(125)	(125)	-	(125)
Exchange rate or other changes	-	-	(1,115)	(1,115)	(276)	(1,391)
Balance at December 31, 2020	<u>\$ 3,249</u>	<u>\$ 106</u>	<u>\$ 23,009</u>	<u>\$ 26,364</u>	<u>\$ 8,995</u>	<u>\$ 35,359</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans"	Total
Balance at January 1, 2020	\$ 224,015	\$ 61,680	\$ 372,894	\$ 658,589	\$ 1,766,985	\$ 2,425,574
Transfers						
To 12-month ECLs	7,704	(1,278)	(6,426)	-	-	-
To lifetime ECLs	(2,449)	2,449	-	-	-	-
To credit-impaired financial assets	(170)	(1,901)	2,071	-	-	-
New financial assets purchased or originated	215,911	69,838	264,939	550,688	-	550,688
Derecognition of financial assets in the reporting period	(113,769)	(16,615)	(184,184)	(314,568)	-	(314,568)
Change in model or risk parameters	100,097	53,160	375,301	528,558	-	528,558
Difference between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(498,308)	(498,308)
Write-offs	-	-	(496,924)	(496,924)	-	(496,924)
Withdrawal after write-offs	-	-	23,955	23,955	-	23,955
Exchange rate or other changes	(1,545)	(156)	(274)	(1,975)	(33,571)	(35,546)
Balance at December 31, 2020	<u>\$ 429,794</u>	<u>\$ 167,177</u>	<u>\$ 351,352</u>	<u>\$ 948,323</u>	<u>\$ 1,235,106</u>	<u>\$ 2,183,429</u>

Reserve for Losses on Guarantee Contracts and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance at January 1, 2020	\$ 48,534	\$ 4,350	\$ -	\$ 52,884	\$ 229,395	\$ 282,279
Transfers						
To 12-month ECLs	111	(111)	-	-	-	-
To lifetime ECLs	(413)	413	-	-	-	-
New financial assets purchased or originated	90,868	16,551	-	107,419	-	107,419
Derecognition of financial assets in the reporting period	(40,261)	(2,568)	-	(42,829)	-	(42,829)
Change in model or risk parameters	5,631	2,242	-	7,873	-	7,873
Difference between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	102,351	102,351
Exchange rate or other changes	(116)	(16)	-	(132)	(754)	(886)
Balance at December 31, 2020	<u>\$ 104,354</u>	<u>\$ 20,861</u>	<u>\$ -</u>	<u>\$ 125,215</u>	<u>\$ 330,992</u>	<u>\$ 456,207</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 16,454,533	\$ 15,752,245
Investments in associates	<u>880,879</u>	<u>789,863</u>
	<u>\$ 17,335,412</u>	<u>\$ 16,542,108</u>

a. Investments in subsidiaries

	December 31	
	2021	2020
Domestic listed company		
China Bills Finance Corp.	\$ 7,183,258	\$ 7,152,692
Domestic unlisted company		
IBT Holdings Corp.	5,406,277	5,269,068
Chun Teng New Century Co., Ltd. (former IBT Securities Co., Ltd.)	301,673	314,026
IBT Leasing Co., Ltd.	3,306,821	2,784,548
IBT Management Corp.	<u>256,504</u>	<u>231,911</u>
	<u>\$ 16,454,533</u>	<u>\$ 15,752,245</u>

	Proportion of Ownership and Voting Rights	
	December 31	
	2021	2020
China Bills Finance Corp.	28.37%	28.37%
Chun Teng New Century Co., Ltd.	99.75%	99.75%
IBT Holdings Corp.	100.00%	100.00%
IBT Leasing Co., Ltd.	100.00%	100.00%
IBT Management Corp.	100.00%	100.00%

b. Investments in associates

	December 31	
	2021	2020
Material associate - Beijing Sunshine Consumer Finance Co., Ltd.	<u>\$ 880,879</u>	<u>\$ 789,863</u>

Material associate

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2021	2020
Beijing Sunshine Consumer Finance Co., Ltd.	20%	20%

The investment in Beijing Sunshine Consumer Finance Co., Ltd., was jointly invested by the Bank, China Everbright Bank and China CYTS Tours Holding. The Bank's investment amounted to RMB200,000 thousand with the shareholding ratio of 20%, and Beijing Sunshine Consumer Finance Co., Ltd. has begun operation since August 17, 2020.

Refer to Table 5 "Name, locations and other information of investees on which the Bank exercises significant influence" and Table 6 "Information on Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associate.

The financial information of the bank's affiliates is as follows:

	December 31	
	2021	2020
Total assets	<u>\$ 51,554,378</u>	<u>\$ 13,752,736</u>
Total liabilities	<u>\$ 47,149,983</u>	<u>\$ 9,803,422</u>
	For the Year Ended December 31	
	2021	2020
Net gain (loss)	<u>\$ 474,228</u>	<u>\$ (413,832)</u>
Other comprehensive gain (loss)	<u>\$ 474,228</u>	<u>\$ (413,832)</u>

- c. The Bank's investments accounted for using equity method, the details of its investment income (loss) are as follows:

	For the Year Ended December 31	
	2021	2020
Domestic listed company		
China Bills Finance Corp.	\$ 526,998	\$ 447,728
Domestic unlisted company		
Chun Teng New Century Co., Ltd.	(4,955)	(12,010)
IBT Holdings Corp.	316,906	256,838
IBT Leasing Co., Ltd.	478,102	364,120
IBT Management Corp.	4,097	16,248
Beijing Sunshine Consumer Finance Co., Ltd.	<u>94,846</u>	<u>(82,766)</u>
	<u>\$ 1,415,994</u>	<u>\$ 990,158</u>

The investments in subsidiaries and associates accounted for using the equity method, the share of profit or loss of associates and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 was based on each of financial statements which have been audited for the same years.

14. OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
Call loans to securities corporation limited	\$ 553,794	\$ -
Others	<u>217,300</u>	<u>219,108</u>
	<u>\$ 771,094</u>	<u>\$ 219,108</u>

15. PROPERTY AND EQUIPMENT, NET

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts of each class</u>		
Land	\$ 698,633	\$ 698,633
Buildings	1,265,538	1,309,511
Machinery and computer equipment	263,091	286,522
Transportation equipment	13,654	17,579
Lease improvement	65,240	103,365
Office and other equipment	39,743	55,013
Construction in progress and prepayments for equipment	<u>19,968</u>	<u>19,335</u>
	<u>\$ 2,365,867</u>	<u>\$ 2,489,958</u>
For own used	\$ 2,010,548	\$ 2,126,685
Assets leased under operating leases	<u>355,319</u>	<u>363,273</u>
	<u>\$ 2,365,867</u>	<u>\$ 2,489,958</u>

a. For own used

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 572,250	\$ 1,538,472	\$ 708,934	\$ 50,930	\$ 262,391	\$ 216,899	\$ 19,335	\$ 3,369,211
Additions	-	609	21,990	3,040	360	3,785	26,354	56,138
Disposals and scrapped	-	-	(23,138)	(1,990)	-	(2,764)	-	(27,892)
Reclassification	-	-	9,771	60	-	1	(25,575)	(15,743)
Effect of foreign currency exchange differences	-	-	(323)	(189)	(1,323)	(422)	(146)	(2,403)
Balance at December 31, 2021	<u>572,250</u>	<u>1,539,081</u>	<u>717,234</u>	<u>51,851</u>	<u>261,428</u>	<u>217,499</u>	<u>19,968</u>	<u>3,379,311</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	-	465,851	422,412	33,351	159,026	161,886	-	1,242,526
Depreciation expense	-	36,628	55,051	6,886	38,169	18,841	-	155,575
Disposals and scrapped	-	-	(23,098)	(1,990)	-	(2,704)	-	(27,792)
Effect of foreign currency exchange differences	-	-	(222)	(50)	(1,007)	(267)	-	(1,546)
Balance at December 31, 2021	<u>-</u>	<u>502,479</u>	<u>454,143</u>	<u>38,197</u>	<u>196,188</u>	<u>177,756</u>	<u>-</u>	<u>1,368,763</u>
<u>Carrying amounts</u>								
Balance at December 31, 2021	<u>\$ 572,250</u>	<u>\$ 1,036,602</u>	<u>\$ 263,091</u>	<u>\$ 13,654</u>	<u>\$ 65,240</u>	<u>\$ 39,743</u>	<u>\$ 19,968</u>	<u>\$ 2,010,548</u>
<u>Cost</u>								
Balance at January 1, 2020	\$ 572,250	\$ 1,533,081	\$ 687,180	\$ 50,002	\$ 241,487	\$ 212,579	\$ 80,739	\$ 3,377,318
Additions	-	5,391	18,302	1,210	5,796	5,255	26,288	62,242
Disposals and scrapped	-	-	(508)	-	-	(805)	-	(1,313)
Reclassification	-	-	4,398	-	17,098	496	(87,473)	(65,481)
Effect of foreign currency exchange differences	-	-	(438)	(282)	(1,990)	(626)	(219)	(3,555)
Balance at December 31, 2020	<u>572,250</u>	<u>1,538,472</u>	<u>708,934</u>	<u>50,930</u>	<u>262,391</u>	<u>216,899</u>	<u>19,335</u>	<u>3,369,211</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	-	429,367	364,272	26,224	122,639	143,907	-	1,086,409
Depreciation expense	-	36,484	58,953	7,154	37,566	19,093	-	159,250
Disposals and scrapped	-	-	(508)	-	-	(805)	-	(1,313)
Effect of foreign currency exchange differences	-	-	(305)	(27)	(1,179)	(309)	-	(1,820)
Balance at December 31, 2020	<u>-</u>	<u>465,851</u>	<u>422,412</u>	<u>33,351</u>	<u>159,026</u>	<u>161,886</u>	<u>-</u>	<u>1,242,526</u>
<u>Carrying amounts</u>								
Balance at December 31, 2020	<u>\$ 572,250</u>	<u>\$ 1,072,621</u>	<u>\$ 286,522</u>	<u>\$ 17,579</u>	<u>\$ 103,365</u>	<u>\$ 55,013</u>	<u>\$ 19,335</u>	<u>\$ 2,126,685</u>

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	25-50 years
Machinery and computer equipment	3-25 years
Transportation equipment	5 years
Lease improvement	5-8 years
Office and other equipment	5-15 years

b. Assets leased under operating leases

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 126,383	\$ 339,774	\$ 466,157
Additions	<u>-</u>	<u>135</u>	<u>135</u>
Balance at December 31, 2021	<u>\$ 126,383</u>	<u>\$ 339,909</u>	<u>\$ 466,292</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ -	\$ 102,884	\$ 102,884
Depreciation expense	<u>-</u>	<u>8,089</u>	<u>8,089</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 110,973</u>	<u>\$ 110,973</u>
<u>Carrying amounts</u>			
Balance at December 31, 2021	<u>\$ 126,383</u>	<u>\$ 228,936</u>	<u>\$ 355,319</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 126,383	\$ 338,584	\$ 464,967
Additions	<u>-</u>	<u>1,190</u>	<u>1,190</u>
Balance at December 31, 2020	<u>\$ 126,383</u>	<u>\$ 339,774</u>	<u>\$ 466,157</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 94,826	\$ 94,826
Depreciation expense	<u>-</u>	<u>8,058</u>	<u>8,058</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 102,884</u>	<u>\$ 102,884</u>
<u>Carrying amounts</u>			
Balance at December 31, 2020	<u>\$ 126,383</u>	<u>\$ 236,890</u>	<u>\$ 363,273</u>

Operating leases relate to leases of land and building with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods. The buildings are depreciated on a straight-line basis for 25 to 50 years.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2021	2020
Year 1	\$ 15,106	\$ 21,559
Year 2	14,464	8,102
Year 3	11,190	7,765
Year 4	-	4,530
Year 5	-	-
	<u>\$ 40,760</u>	<u>\$ 41,956</u>

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Buildings	<u>\$ 182,470</u>	<u>\$ 246,147</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 31,037</u>	<u>\$ 35,240</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 92,346</u>	<u>\$ 94,219</u>

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

b. Lease liabilities

	December 31	
	2021	2020
Carrying amounts	<u>\$ 190,235</u>	<u>\$ 253,261</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings	1.350%-5.125%	1.381%-5.125%

c. Material lease-in activities

Due to rental of buildings, the Bank has entered into various leasehold contracts with others. These contracts are gradually expiring before the end of July 2026. The rent is calculated based on the lease rate per square feet is paid monthly. Refundable deposits paid under operating lease amounted to \$25,344 thousand and \$26,299 thousand on December 31, 2021 and 2020, respectively.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 2,442</u>	<u>\$ 4,016</u>
Total cash outflow for leases	<u>\$ (99,153)</u>	<u>\$ (102,023)</u>

17. INTANGIBLE ASSETS

	December 31	
	2021	2020
<u>Carrying amounts of each class of</u>		
Computer software	<u>\$ 853,597</u>	<u>\$ 1,084,891</u>

The changes in of intangible assets for the years ended December 31, 2021 and 2020 are summarized as follows:

	Computer Software
<u>Cost</u>	
Balance at January 1, 2021	\$ 2,272,158
Additions	22,840
Reclassification	15,743
Disposals	(221)
Effect of foreign currency exchange differences	<u>(1,618)</u>
Balance at December 31, 2021	<u>\$ 2,308,902</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2021	\$ 1,187,267
Amortization	269,482
Disposals	(221)
Effect of foreign currency exchange differences	<u>(1,223)</u>
Balance at December 31, 2021	<u>\$ 1,455,305</u>
<u>Carrying amounts</u>	
Balance at December 31, 2021	<u>\$ 853,597</u>

(Continued)

	Computer Software
<u>Cost</u>	
Balance at January 1, 2020	\$ 2,086,977
Additions	121,693
Reclassification	65,481
Disposals	(90)
Effect of foreign currency exchange differences	<u>(1,903)</u>
Balance at December 31, 2020	<u>\$ 2,272,158</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	\$ 923,863
Amortization	265,135
Disposals	(90)
Effect of foreign currency exchange differences	<u>(1,641)</u>
Balance at December 31, 2020	<u>\$ 1,187,267</u>
<u>Carrying amounts</u>	
Balance at December 31, 2020	<u>\$ 1,084,891</u> (Concluded)

The above items of intangible assets are depreciated on a straight-line basis at the following rates per annum:

Computer software 3-15 years

18. OTHER ASSETS

	<u>December 31</u>	
	2021	2020
Refundable deposits	\$ 87,896	\$ 413,997
Prepayments	49,855	38,040
Others	<u>135,571</u>	<u>132,901</u>
	<u>\$ 273,322</u>	<u>\$ 584,938</u>

19. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	<u>December 31</u>	
	2021	2020
Call loans from banks	\$ 16,011,209	\$ 12,488,924
Call loans from Central Bank	2,768,967	2,850,831
Deposits from Chunghwa Post Co., Ltd.	<u>-</u>	<u>7,000,000</u>
	<u>\$ 18,780,176</u>	<u>\$ 22,339,755</u>

20. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2021	2020
Government bonds	\$ 500,059	\$ 900,278
Bank debentures	<u>395,907</u>	<u>538,738</u>
	<u>\$ 895,966</u>	<u>\$ 1,439,016</u>
Date of agreements to repurchase	Before April 2022	Before April 2021
Amount of agreements to repurchase	\$ 896,310	\$ 1,439,685

21. PAYABLES

	December 31	
	2021	2020
Checks for clearing	\$ 75,133	\$ 451,158
Investment settlements payable	80,902	93,761
Accrued interest	266,106	460,862
Accrued expenses	854,010	679,591
Collections payables	18,582	27,750
Factored payables	114,189	79,059
Acceptances	84,266	43,447
Others	<u>124,464</u>	<u>89,711</u>
	<u>\$ 1,617,652</u>	<u>\$ 1,925,339</u>

22. DEPOSITS AND REMITTANCES

	December 31	
	2021	2020
Deposits		
Checking	\$ 3,062,103	\$ 3,063,970
Demand	65,736,204	47,368,252
Time	150,240,201	179,212,485
Savings deposits	19,016,234	16,729,084
Export remittances	<u>139,722</u>	<u>47,032</u>
	<u>\$ 238,194,464</u>	<u>\$ 246,420,823</u>

23. BANK DEBENTURES PAYABLE

	December 31	
	2021	2020
Subordinate bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	\$ -	\$ 1,300,000
Subordinate bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	-	1,000,000
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	-	600,000
Subordinate bonds fourth issued in 2014; fixed 2.20% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate bonds A second issued in 2017; fixed 4.00% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2018; fixed 4.00% interest rate; no maturity, interest paid annually	700,000	700,000
Subordinate bonds B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	1,050,000
Subordinate bonds first issued in 2019; fixed 1.50% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	2,500,000	2,500,000
Subordinate bonds first issued in 2021; fixed 0.90% interest rate; maturity: June 25, 2028; interest paid annually and repay the principal at maturity	1,000,000	-
Bonds second issued in 2021; fixed 0.65% interest rate; maturity: December 22, 2024; interest paid annually and repay the principal at maturity	500,000	-
	<u>\$ 15,000,000</u>	<u>\$ 16,400,000</u>

24. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Funds obtained from the government - intended for specific types of loans	\$ 2,269,710	\$ 2,822,069
Principal of structured products	<u>44,900</u>	<u>25,939</u>
	<u>\$ 2,314,610</u>	<u>\$ 2,848,008</u>

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

25. PROVISIONS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Provisions for employee benefits	\$ 53,314	\$ 56,640
Provisions for losses on guarantee contracts	364,460	364,486
Provisions for financing commitments	<u>91,721</u>	<u>91,721</u>
	<u>\$ 509,495</u>	<u>\$ 512,847</u>

Refer to Note 12 for the details and changes in the reserve for losses on guarantee contracts and financing commitments.

26. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the “Labor Pensions Ordinance” applicable to the Bank is the required retirement plan stipulated by the government. A pension of 6% of an employee’s monthly salary is paid to the Labor Insurance Bureau under each individual’s account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2021 and 2020 was recognized in the statements of comprehensive income in the total amounts of \$49,929 thousand and \$51,897 thousand, respectively.

Defined Benefit Plan

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribution amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 170,953	\$ 172,278
Fair value of plan assets	<u>(117,639)</u>	<u>(115,638)</u>
Net defined benefit liabilities	<u>\$ 53,314</u>	<u>\$ 56,640</u>

Movement in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	\$ 198,373	\$ (109,796)	\$ 88,577
Service cost			
Current service cost	2,276	-	2,276
Net interest expense (income)	<u>1,488</u>	<u>(833)</u>	<u>655</u>
Recognized in profit or loss	<u>3,764</u>	<u>(833)</u>	<u>2,931</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,665)	(3,665)
Changes in demographic assumptions	230	-	230
Changes in financial assumptions	4,072	-	4,072
Experience adjustments	<u>(929)</u>	<u>-</u>	<u>(929)</u>
Recognized in other comprehensive income (loss)	<u>3,373</u>	<u>(3,665)</u>	<u>(292)</u>
Employer contributions	-	(2,443)	(2,443)
Benefits paid	(1,099)	1,099	-
Business paid	<u>(32,133)</u>	<u>-</u>	<u>(32,133)</u>
Balance at December 31, 2020	<u>\$ 172,278</u>	<u>\$ (115,638)</u>	<u>\$ 56,640</u>
Balance at January 1, 2021	\$ 172,278	\$ (115,638)	\$ 56,640
Service cost			
Current service cost	1,333	-	1,333
Net interest expense (income)	<u>861</u>	<u>(584)</u>	<u>277</u>
Recognized in profit or loss	<u>2,194</u>	<u>(584)</u>	<u>1,610</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,464)	(1,464)
Changes in demographic assumptions	3,904	-	3,904
Experience adjustments	<u>(14)</u>	<u>-</u>	<u>(14)</u>
Recognized in other comprehensive income (loss)	<u>3,890</u>	<u>(1,464)</u>	<u>2,426</u>
Employer contributions	-	(2,235)	(2,235)
Benefits paid	(2,282)	2,282	-
Business paid	<u>(5,127)</u>	<u>-</u>	<u>(5,127)</u>
Balance at December 31, 2021	<u>\$ 170,953</u>	<u>\$ (117,639)</u>	<u>\$ 53,314</u>

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

- a. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2021	2020
Discount rate(s)	0.50%	0.50%
Expected rate(s) of salary increase	2.50%	2.50%

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

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	<u>\$ (3,788)</u>	<u>\$ (4,072)</u>
0.25% decrease	<u>\$ 3,913</u>	<u>\$ 4,212</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 3,769</u>	<u>\$ 4,058</u>
0.25% decrease	<u>\$ (3,668)</u>	<u>\$ (3,945)</u>

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

	December 31	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 2,185</u>	<u>\$ 2,404</u>
Average duration of the defined benefit obligation	9.0 years	9.6 years

27. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Guarantee deposits received	\$ 179,455	\$ 7,596
Advance revenue	58,120	47,460
Others	<u>8,107</u>	<u>6,780</u>
	<u>\$ 245,682</u>	<u>\$ 61,836</u>

28. EQUITY

a. Capital stock

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number of stock authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>
Amount of capital stock authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of stocks issued and fully paid (in thousands)		
Common stock	<u>2,733,006</u>	<u>2,733,006</u>
Preferred stock	<u>300,000</u>	<u>300,000</u>
Amount of stocks issued	<u>\$ 30,330,063</u>	<u>\$ 30,330,063</u>

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

On June 27, 2018, the Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of \$10. The subscription date was November 29, 2018. The Bank finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

- 1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once every year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board of directors may set a record date for the distribution of dividends declared from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.

- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Banks”, Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but will be capped at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders’ meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders’ meeting and also at the stockholders’ meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders’ meeting.
- 5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stocks are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the distribution in that year but may participate in the distribution of common stock surplus and additional paid in capital.
- 6) After five and a half years from the issue date, the Bank may, subject to the competent authority’s approval, redeem a portion or all of the outstanding shares of preferred stock any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock shall continue as specified in the agreement. If the Bank’s board of directors approves the distribution of dividends in the year the Bank redeems the outstanding shares of preferred stock - A, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.
- 7) When the Bank issues new shares for cash, Series A preferred stockholders have the same subscription rights as the common stockholders.

On July 7, 2020, the Bank’s board of directors resolved to issue 320,000 thousand common shares with a par value of \$10 and plans to issue at \$6.35 per share, which increased the share capital issued and fully paid increased to 30,330,063 thousand. The above transaction was approved by the FSC.

b. Capital surplus

	<u>December 31</u>	
	2021	2020
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)		
Treasury share transactions	\$ 3,193	\$ 3,193
Must be used to offset a deficit		
Unclaimed dividends	1,341	978
May not be used for any purpose		
Share of changes in capital surplus of subsidiaries, associates or joint ventures	<u>2,200</u>	<u>1,795</u>
	<u>\$ 6,734</u>	<u>\$ 5,966</u>

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

c. Special reserves

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Trading loss and default loss reserve	\$ 133,955	\$ 133,955
Employee transfer or placement expenditure related to financial technology development	15,902	17,181
Other equity deductions special reserves	-	67,477
According to the Bank's policy	<u>647,926</u>	<u>1,177,740</u>
	<u>\$ 797,783</u>	<u>\$ 1,396,353</u>

The Bank reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

In addition, according to Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve an amount in the range of 0.5% to 1% of net profit after tax from 2016 to 2018; from 2017, the same amount of employee transfer or placement expenditure arising from financial technology development shall be reversed from the balance of the special reserve. The above order was repealed by the FSC Rule No. 10802714560 on May 15, 2019, which stipulates that in 2019, a public bank shall no longer continue to provide a special reserve for the purpose of protecting the interests of domestic bank practitioners in the development of financial technology. The Bank is allowed to reverse the special reserve appropriated in 2016 to 2018 at the amounts of the following expenses.

- 1) Expenses for staff transfer or placement, including the related expenses for assisting employees to transfer between departments or groups, and the payment of retirement and severance benefits to employees that are superior to labor-related laws and regulations.
- 2) Expenses for financial technology or banking business development, i.e., expenditure for education and training to enhance or develop employee functions.

The Bank sets aside and reverses the special surplus reserve for other deductions in equity according to laws and regulations. When there is a reversal of the balance of other equity deductions subsequently, the surplus shall be distributed to the special surplus reserve for the reversal part.

d. Retained earnings and dividend policy

- 1) The Bank's dividend policy approved by the stockholders' meeting of the Bank on June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders' meeting.

2) The dividend policy before June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

In addition, according to the provisions of the Bank's articles of incorporation, the Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. In principle, cash dividend shall not be less than 20% of the total dividend for the current year. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the shareholders' meeting.

For the policies on distribution of compensation of employees and remuneration of directors, please refer to Note 33.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital.

The appropriations of earnings for 2020 and 2019 have been proposed by the Bank's board of directors and approved in the stockholders' meetings on July 20, 2021 and June 19, 2020, respectively. The appropriations and dividends per share were as follows:

	<u>2020</u>	<u>2019</u>
	Appropriation of Earnings	Appropriation of Earnings
Legal reserve	\$ 31,879	\$ 330,130
Special reserve appropriated (reversed)	(598,570)	(234,982)
Cash dividends - common stock	545,454	965,203
Preferred stock dividends	127,500	127,500

The appropriations of earnings for 2021 had been proposed by the Board on March 16, 2022. The appropriations were as follows:

	Appropriation of Earnings
Legal reserve	\$ 612,126
Special reserve reversed	(163,173)
Cash dividends - common stock	819,145
Cash dividends - preferred stock	127,500

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

e. Other equity items

1) Exchange differences on the translating the financial statements of foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (697,554)	\$ (307,473)
Exchange differences arising on the translating the financial statements of foreign operations	(280,110)	(446,246)
Income tax related to gains arising on the translating the financial statements of foreign operations	<u>31,597</u>	<u>56,165</u>
Balance at December 31	<u>\$ (946,067)</u>	<u>\$ (697,554)</u>

2) Unrealized valuation gains (losses) on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 755,298	\$ 239,996
Recognized during the period		
Unrealized gain - debt instruments	(755,763)	284,191
Unrealized gain - equity instruments	660,949	339,439
Loss allowance of debt instruments	<u>2,276</u>	<u>3,887</u>
Other comprehensive income recognized in the period	<u>(92,538)</u>	<u>627,517</u>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>(202,172)</u>	<u>(112,215)</u>
Balance at December 31	<u>\$ 460,588</u>	<u>\$ 755,298</u>

f. Treasury stock

	Unit: In Thousands of Shares	
	For the Year Ended December 31	
	2021	2020
Number of shares at January 1	5,737	-
Increase during the period	<u>-</u>	<u>5,737</u>
Number of shares at December 31	<u>5,737</u>	<u>5,737</u>

On March 19, 2020, the Bank's board of directors proposed to acquire treasury stocks transfer to employees. The acquiring period is from March 20, 2020 to May 19, 2020. As of May 19, 2020, the Bank had acquired 5,737 thousand shares of treasury stocks for \$38,304 thousand.

Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise stockholders' rights on these shares, such as the rights to receive dividends or to vote.

29. NET INTEREST

	For the Year Ended December 31	
	2021	2020
<u>Interest revenue</u>		
Discounts and loans	\$ 2,982,669	\$ 3,750,380
Investments in securities	422,151	478,355
Due from the Central Bank and call loans to banks	26,824	80,579
Factoring	15,764	19,631
Others	<u>23,931</u>	<u>30,882</u>
	<u>3,471,339</u>	<u>4,359,827</u>
<u>Interest expense</u>		
Deposits	919,061	1,921,978
Bills and bonds sold under repurchase agreements	3,787	7,238
Bank debentures	303,664	349,741
Deposits from Central Bank and other banks	27,293	154,311
Others	<u>7,239</u>	<u>11,976</u>
	<u>1,261,044</u>	<u>2,445,244</u>
	<u>\$ 2,210,295</u>	<u>\$ 1,914,583</u>

30. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2021	2020
Service fee income		
Import and export business	\$ 14,518	\$ 11,705
Loan business	243,125	106,417
Guarantee business	359,462	264,224
Credit examining business	113,041	149,797
Acceptance business	624	1,023
Factoring business	21,962	16,066
Trust business	52,295	32,751
Insurance agent business	39,420	70,527
Others	<u>57,181</u>	<u>39,041</u>
	<u>901,628</u>	<u>691,551</u>

(Continued)

	For the Year Ended December 31	
	2021	2020
Service charge		
Remittance	\$ 1,943	\$ 1,838
Custody	3,156	3,795
Interbank	16,547	16,005
Reward program	21,387	27,594
Others	<u>54,239</u>	<u>58,372</u>
	<u>97,272</u>	<u>107,604</u>
	<u>\$ 804,356</u>	<u>\$ 583,947</u>

(Concluded)

31. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2021	2020
Realized gains or losses		
Stocks	\$ 322,598	\$ 109,501
Bonds	5,646	(6,669)
Derivatives	(575,321)	(1,325,132)
Others	<u>-</u>	<u>20</u>
	<u>(247,077)</u>	<u>(1,222,280)</u>
Gains (losses) on valuation		
Stocks	(36,965)	52,754
Bonds	(3,580)	1,482
Derivatives	279,396	(173)
Others	<u>17,014</u>	<u>(7,994)</u>
	<u>255,865</u>	<u>46,069</u>
Interest revenue	<u>126,797</u>	<u>335,229</u>
	<u>\$ 135,585</u>	<u>\$ (840,982)</u>

32. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2021	2020
Realized income - debt instruments	\$ 79,309	\$ 123,041
Dividend revenue	<u>188,668</u>	<u>134,398</u>
	<u>\$ 267,977</u>	<u>\$ 257,439</u>

33. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits		
Salaries and wages	\$ 1,415,269	\$ 1,387,761
Remuneration of directors	84,518	65,658
Labor insurance and national health insurance	80,624	78,183
Others	34,132	24,465
Post-employment benefits		
Pension expenses	51,225	54,304
Pension benefits	<u>689</u>	<u>1,352</u>
	<u>\$ 1,666,457</u>	<u>\$ 1,611,723</u>

The Bank accrued compensation of employees and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The amounts and accrual rates of compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 were as follows:

Accrual rate

	For the Year Ended December 31	
	2021	2020
Compensation of employees	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Year Ended December 31	
	2021	2020
Compensation of employees	<u>\$ 26,170</u>	<u>\$ 16,056</u>
Remuneration of directors	<u>52,339</u>	<u>32,111</u>

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate by next year.

The compensation of employees and remuneration of directors for 2020 and 2019, which were approved by the Board on March 22, 2021 and March 25, 2020, respectively, were as follows:

	For the Year Ended December 31			
	2020		2019	
	Cash	Stock	Cash	Stock
Compensation of employees	\$ 16,056	\$ -	\$ 15,715	\$ -
Remuneration of directors	32,111	-	31,430	-

There are no differences between the 2020 and 2019 actual amounts of compensation of employees and remuneration of directors paid and the 2020 and 2019 amount recognized in the annual financial statements.

The Board had been proposed compensation of employees and remuneration of directors for the years ended December 31, 2021 on March 16, 2022, were as follows:

	For the Year Ended December 31, 2021
Compensation of employees - cash	<u>\$ 26,170</u>
Remuneration of directors	<u>\$ 52,339</u>

Information on the bonuses for employees, directors and supervisors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

34. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2021	2020
Property and equipment	\$ 163,664	\$ 167,308
Intangible assets	269,482	265,135
Right-of-use assets	<u>92,346</u>	<u>94,219</u>
	<u>\$ 525,492</u>	<u>\$ 526,662</u>

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2021	2020
Rental fees	\$ 2,442	\$ 4,016
Taxation	166,559	172,641
Computer operating and consulting fees	279,842	276,542
Management fees	34,684	36,519
Entertainment fees	25,770	34,768
Advertisement fees	54,997	47,486
Service fees	59,740	63,877
Others	<u>205,949</u>	<u>210,991</u>
	<u>\$ 829,983</u>	<u>\$ 846,840</u>

36. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 132,606	\$ 96,266
In respect of prior years	<u>(16,826)</u>	<u>(18,827)</u>
	<u>115,780</u>	<u>77,439</u>
Deferred tax		
In respect of the current year	<u>58,448</u>	<u>11,449</u>
Income tax expense recognized in profit or loss	<u>\$ 174,228</u>	<u>\$ 88,888</u>

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	<u>\$ 2,015,070</u>	<u>\$ 1,236,291</u>
Income tax expense calculated at the statutory rate	\$ 403,014	\$ 247,258
Realized gain on investment in equity instruments measured at fair value through other comprehensive income	31,995	20,420
Nondeductible expenses and tax-exempt income in determining taxable income	(317,035)	(277,342)
Additional income tax under the Alternative Minimum Tax Act	28,511	24,824
Unrecognized deductible temporary differences	(59,526)	21,114
Overseas income taxes	104,095	71,441
Adjustments for prior years' tax	<u>(16,826)</u>	<u>(18,827)</u>
Income tax expense recognized in profit or loss	<u>\$ 174,228</u>	<u>\$ 88,888</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
Translation of foreign operations	<u>\$ 31,597</u>	<u>\$ 56,165</u>
Income tax expense recognized in other comprehensive income	<u>\$ 31,597</u>	<u>\$ 56,165</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
FVTPL financial instrument	\$ 51,080	\$ (3,028)	\$ -	\$ 48,052
Allowance for bad debts	246,382	28,782	-	275,164
Loss reserve	2,015	(2,015)	-	-
Translation of foreign operations	<u>68,140</u>	<u>-</u>	<u>31,597</u>	<u>99,737</u>
	<u>\$ 367,617</u>	<u>\$ 23,739</u>	<u>\$ 31,597</u>	<u>\$ 422,953</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	<u>\$ 435,263</u>	<u>\$ 82,187</u>	<u>\$ -</u>	<u>\$ 517,450</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
FVTPL financial instrument	\$ 51,061	\$ 19	\$ -	\$ 51,080
Allowance for bad debts	223,036	23,346	-	246,382
Loss reserve	2,015	-	-	2,015
Translation of foreign operations	<u>11,975</u>	<u>-</u>	<u>56,165</u>	<u>68,140</u>
	<u>\$ 288,087</u>	<u>\$ 23,365</u>	<u>\$ 56,165</u>	<u>\$ 367,617</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	<u>\$ 400,449</u>	<u>\$ 34,814</u>	<u>\$ -</u>	<u>\$ 435,263</u>

d. Assessment of the income tax returns

The income tax returns of the Bank through 2018 have been assessed by the tax authorities.

37. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2021	2020
Basic earnings per share	<u>\$ 0.63</u>	<u>\$ 0.41</u>
Diluted earnings per share	<u>\$ 0.57</u>	<u>\$ 0.37</u>

Earning used in calculating earnings per share and weighted average number of common stocks are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2021	2020
Net profit	\$ 1,840,842	\$ 1,147,403
Less: Declared preferred stock dividend	<u>127,500</u>	<u>127,500</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 1,713,342</u>	<u>\$ 1,019,903</u>

Stock (In Thousand Shares)

	For the Year Ended December 31	
	2021	2020
Weighted average number of common stocks in computation of basic earnings per share	<u>2,727,269</u>	<u>2,471,797</u>
Effect of potentially dilutive common stocks:		
Compensation of employees	3,782	2,886
Convertible preferred stock	<u>300,000</u>	<u>300,000</u>
	<u>303,782</u>	<u>302,886</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>3,031,051</u>	<u>2,774,683</u>

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

38. RELATED PARTY TRANSACTIONS

- a. The related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Chun Teng New Century Co., Ltd. (Original IBT Securities Co., Ltd.) (Chun Teng New Century) (Company in liquidation)	Subsidiary of Bank
IBT Management Corp. (IBTM)	Subsidiary of Bank
IBT Holdings Corp. (IBTH)	Subsidiary of Bank
China Bills finance Corp. (CBF)	Subsidiary of Bank
IBT Leasing Co., Ltd. (IBTL)	Subsidiary of Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (liquidation)	Associates
Beijing Sunshine Consumer Finance Co., Ltd.	Associates
IBTS Holdings (B.V.I.) Limited (IBTSH)	Subsidiary of Chun Teng New Century
IBT international Leasing Corp.	Subsidiary of IBTL
IBT VII Venture Capital Co., Ltd. (IBTVC7)	Subsidiary of IBTL
IBTS Financial (HK) Limited (IBTS HK)	Subsidiary of IBTSH
IBTS Asia (HK) Limited (IBTS Asia)	Subsidiary of IBTSH
IBT Education Foundation (IBTEF)	The Bank is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Bank's legal director
TCC Energy Co., Ltd.	Other related party
Others	The Bank's management and their other related parties

- b. The significant transactions and balances with the related parties are summarized as follows:

- 1) Deposits (part of deposits and remittance)

	Ending Balance	Interest Expense	Rate (%)
<u>For the year ended December 31, 2021</u>			
Subsidiaries	\$ 285,115	\$ 478	0.00-1.06
Associates	261	-	0.03-0.04
Others	<u>10,555,219</u>	<u>53,679</u>	0.00-6.29
	<u>\$ 10,840,595</u>	<u>\$ 54,157</u>	
<u>For the year ended December 31, 2020</u>			
Subsidiaries	\$ 279,290	\$ 1,231	0.00-2.70
Associates	1,977	1	0.03
Others	<u>4,809,246</u>	<u>48,140</u>	0.00-6.315
	<u>\$ 5,090,513</u>	<u>\$ 49,372</u>	

2) Loans

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
For the year ended <u>December 31, 2021</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 5,068</u>	1.179
For the year ended <u>December 31, 2020</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 5,317</u>	1.179

December 31, 2021							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

December 31, 2020							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

Note: The maximum balance of daily totals for each category of loan.

3) Service fee (part of net service fee income)

	For the Year Ended December 31	
	2021	2020
Others	<u>\$ 14</u>	<u>\$ 33</u>

Service fee income is earned by providing authentication, custody and fund purchase services.

4) Other expenses (part of other general and administrative expense)

	For the Year Ended December 31	
	2021	2020
Others	<u>\$ 5,650</u>	<u>\$ 5,720</u>

Other expenses are donations.

5) Rental income and others

	For the Year Ended December 31	
	2021	2020
Subsidiaries	\$ 21,645	\$ 21,632
Others	<u>552</u>	<u>552</u>
	<u>\$ 22,197</u>	<u>\$ 22,184</u>

Rental income received by the department is revenue from leasing contract of providing part of the office and equipment and management service contract.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 239,109	\$ 187,931
Post-employment benefits	3,053	3,577
Share-based payments	<u>-</u>	<u>761</u>
	<u>\$ 242,162</u>	<u>\$ 192,269</u>

The remuneration of directors and other key management personnel is reviewed by the remuneration committee and determined by the Bank's board of director or chairman.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

39. PLEDGED ASSETS

	December 31	
	2021	2020
Pledged time deposits	\$ 217,300	\$ 219,108
Financial assets at FVTPL	-	5,099,275
Financial assets at FVTOCI	<u>14,639,599</u>	<u>8,088,141</u>
	<u>\$ 14,856,899</u>	<u>\$ 13,406,524</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (part of other financial assets) and negotiable certificates of deposits (part of financial assets at FVTPL and financial assets at FVOCI) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. Besides, the Bank contracted for foreign currency call-loan to provide the negotiable certificates of deposits to the Department of Foreign Exchange of Central Bank.

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Except for other disclosures, as of December 31, 2021 and 2020, the Bank had commitments as follows:

	<u>December 31</u>	
	2021	2020
Office decorating and contracts of computer software		
Amount of contracts	\$ 40,599	\$ 28,631
Payments for construction in progress and prepayments for equipment	19,968	19,335

41. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	<u>December 31</u>	
	2021	2020
Trust assets		
Petty cash	\$ 100	\$ 100
Bank deposits	1,820,544	2,404,446
Financial assets	4,236,190	3,285,615
Receivable	27	18
Prepayments	1,222	1,374
Real estate	6,121,444	8,544,916
Structured products	45,854	-
Other assets	<u>42</u>	<u>21,329</u>
Total trust assets	<u>\$ 12,225,423</u>	<u>\$ 14,257,798</u>
Trust capital and liability		
Payables	\$ 1,787	\$ 1,188
Unearned receipts	1,180	1,201
Taxes payable	4,203	4,256
Guarantee deposits received	39,020	51,530
Other liabilities	981	955
Trust capital	12,024,438	14,022,448
Provisions and accumulated profit and loss	<u>153,814</u>	<u>176,220</u>
Trust capital and liability	<u>\$ 12,225,423</u>	<u>\$ 14,257,798</u>

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2021	2020
Trust revenue		
Interest revenue	\$ 1,106	\$ 3,182
Rental revenue	109,739	113,034
Other revenue	<u>3,280</u>	<u>1,427</u>
	<u>114,125</u>	<u>117,643</u>
Trust expenses		
Management fees	(3,880)	(3,340)
Service charge	(13,480)	(5,169)
Tax	(14,114)	(14,347)
Other expenses	(12,672)	(13,263)
Income tax expense	<u>(25)</u>	<u>(210)</u>
	<u>(44,171)</u>	<u>(36,329)</u>
	<u>\$ 69,954</u>	<u>\$ 81,314</u>

Note: The above income accounts of the trust business were not included in the Bank's income statement.

Trust Property List

	December 31	
	2021	2020
Petty cash	\$ 100	\$ 100
Bank deposits	1,820,544	2,404,446
Stocks	228,378	228,378
Funds	3,468,761	2,839,148
Bonds	539,051	218,089
Land	5,302,344	7,704,221
Buildings	819,100	840,695
Receivables	27	18
Prepayments	1,222	1,374
Structured products	45,854	-
Other	<u>42</u>	<u>21,329</u>
	<u>\$ 12,225,423</u>	<u>\$ 14,257,798</u>

42. FINANCIAL INSTRUMENTS

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

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

	December 31			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bank debentures payable	\$ 15,000,000	\$ 15,150,259	\$ 16,400,000	\$ 16,574,644

2) The fair value hierarchy

Financial Instrument Items at Fair Value	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 15,150,259	\$ -	\$ 15,150,259	\$ -
Financial Instrument Items at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 16,574,644	\$ -	\$ 16,574,644	\$ -

Refer to quoted market prices for fair value if there are public quotations on bank debentures payable with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

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

1) The fair value hierarchy of the financial instruments as of December 31, 2021 and 2020 were as follows:

Item	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 450,659	\$ 450,659	\$ -	\$ -
Bills	7,970,219	-	7,970,219	-
Hybrid financial assets	1,245,733	-	1,245,733	-
Negotiable certificates of deposit	27,134,702	-	27,134,702	-

(Continued)

Item	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTOCI				
Equity instruments	\$ 4,929,482	\$ 4,886,331	\$ -	\$ 43,151
Bills	6,384,497	-	6,384,497	-
Debt instruments	40,007,484	19,466,751	20,540,733	-
Negotiable certificates of deposit	29,422,895	-	29,422,895	-
Liabilities				
Financial liabilities at FVTPL				
When-issued government bonds	36	36	-	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	255,135	-	255,135	-
Liabilities				
Financial liabilities at FVTPL	316,209	-	316,209	-
				(Concluded)

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 369,505	\$ 369,505	\$ -	\$ -
Bills	25,395,953	-	25,395,953	-
Hybrid financial assets	1,097,692	-	1,097,692	-
Negotiable certificates of deposit	28,880,450	-	28,880,450	-
Financial assets at FVTOCI				
Equity instruments	3,428,978	3,369,470	-	59,508
Debt instruments	31,965,889	-	31,965,889	-
Negotiable certificates of deposit	29,783,988	-	29,783,988	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	298,694	-	298,694	-
Liabilities				
Financial liabilities at FVTPL	637,659	-	637,659	-

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to trade by the two sides in exchange of assets or settle of liabilities, and fair value is the amount settled. Financial instruments at fair value through profit or loss, available-for-sale financial assets and financial assets at fair value through other comprehensive income refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

- i. Ensure the consistency and completeness of market data.

- ii. The source of market data should be transparent, easy to access, and should come from independent resources.
- iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.
- iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Bank are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex⁺ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

- a) Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.
- b) Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- c) Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2021

Financial Assets	Financial Assets at Fair Value through Profit or Loss - Equity Instruments	Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments	Total
Beginning balance	\$ -	\$ 59,508	\$ 59,508
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	(16,357)	(16,357)
Ending balance	<u>\$ -</u>	<u>\$ 43,151</u>	<u>\$ 43,151</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at Fair Value through Profit or Loss - Equity Instruments	Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments	Total
Beginning balance	\$ -	\$ 322,405	\$ 322,405
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	(35,369)	(35,369)
Disposals	-	(227,528)	(227,528)
Ending balance	\$ -	\$ 59,508	\$ 59,508

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses for the years ended December 31, 2021 and 2020, were consisted of \$0 thousand.

4) Transfers between Level 1 and Level 2

The Bank has no significant transfers between Level 1 and Level 2 for years ended December 31, 2020. For the year ended December 31 2021, certain debt instrument investments were transferred from Level 2 to Level 1, which is resulted from the change in the determination of fair value from the use of valuation model with market parameters to the adoption of quoted prices in active markets.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the years ended December 31, 2021 and 2020 periods would be as follows:

For the year ended December 31, 2021

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Equity instruments	10%	\$ -	\$ -	\$ 4,315	\$ (4,315)

For the year ended December 31, 2020

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Equity instruments	10%	\$ -	\$ -	\$ 5,951	\$ (5,951)

c. Transfer of financial assets

Transferred financial assets not derecognized

Most of the transferred financial assets of the Bank that were not fully derecognized were securities sold under repurchase agreements. Under the terms of these transfers, the right to the cash flows of the transferred financial assets would be transferred to other entities, and the associated liabilities of the Bank's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. Since the Bank is restricted from using, selling, or pledging the transferred financial assets within the transaction period, and is still exposed to interest rate risks and credit risks on these assets, the transferred financial assets were not fully derecognized.

December 31, 2021

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	\$ 947,303	\$ 895,966

December 31, 2020

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	\$ 1,486,463	\$ 1,439,016

d. Offsetting financial assets and financial liabilities

Certain transactions of the Bank and its subsidiaries are covered by enforceable master netting agreements or similar agreements, or under similar repurchase agreements may not meet all offsetting criteria under IFRSs. However, in these transactions, financial liabilities are allowed to be offset against financial assets when any of the counterparties specifies to settle at net amounts. If no counterparty specifies to settle at net amounts, the transactions will be settled at gross amounts instead. One of the counterparties can decide to settle at net amounts if the other party of the transaction defaults.

The tables below present the quantitative information of financial assets and financial liabilities on the balance sheets that had been offset or are covered by enforceable master netting arrangements or similar agreements.

December 31, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		
				Financial Instruments (Note)	Cash Collateral Pledged	Net Amount
Derivatives	<u>\$ 255,135</u>	<u>\$ -</u>	<u>\$ 255,135</u>	<u>\$ (56,086)</u>	<u>\$ (71,922)</u>	<u>\$ 127,127</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 316,209	\$ -	\$ 316,209	\$ (56,086)	\$ (3,260)	\$ 256,863
Repurchase agreements	<u>895,966</u>	<u>-</u>	<u>895,966</u>	<u>(895,966)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,212,175</u>	<u>\$ -</u>	<u>\$ 1,212,175</u>	<u>\$ (952,052)</u>	<u>\$ (3,260)</u>	<u>\$ 256,863</u>

December 31, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	<u>\$ 298,694</u>	<u>\$ -</u>	<u>\$ 298,694</u>	<u>\$ (108,045)</u>	<u>\$ (2,851)</u>	<u>\$ 187,798</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 637,659	\$ -	\$ 637,659	\$ (108,045)	\$ (206,660)	\$ 322,954
Repurchase agreements	<u>1,439,016</u>	<u>-</u>	<u>1,439,016</u>	<u>(1,439,016)</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,076,675</u>	<u>\$ -</u>	<u>\$ 2,076,675</u>	<u>\$ (1,547,061)</u>	<u>\$ (206,660)</u>	<u>\$ 322,954</u>

Note: Included non-cash financial collaterals.

43. FINANCIAL RISK MANAGEMENT

a. Overview

For anticipating the potential expected and unexpected risk, the Bank establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness by ensuring that all operating risks are controlled to an acceptable extent. The Bank continues to engage actively in the capital adequacy ratio with in the accordance to the regulator's requirements and monitors regulations to meet the international requirement of the Basel Commission.

b. Risk management framework

Ultimate responsibility for setting the Bank's risk appetite rests with the board of directors. The Auditing Department, Audit Committee, and Compensation Committee report to the board of directors. Risk Management Committee, which are under chairman, discussed and considered risk management proposals for the board of directors' and risk management polices approval levels and monitored the execution. Assets and Liabilities Committee, and Loan Evaluation Subcommittee, which are under the president of the Bank, hold Capital Asset meetings and Quality Evaluation of Assets meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management scheme.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligations to pay the Bank in accordance with agreed terms. The source of credit risks includes the items in balance sheet and off-balance sheet item.

2) Strategy/objectives/policies and procedures

a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management requirement and establish the Bank's credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.

b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimize potential financial losses and pursue optimal rewards.

Sound risk management systems and control processes, strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations to maintaining high credit standards and asset quality.

c) Credit risk management policy: To establish risk management system and to ensure the integrity of business risk management and compliance, the Bank stipulated its "Risk Management Policy" which is in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the FSC. The Bank keeps its capital adequately, achieves the goal of credit risk strategy and creates risk adjusted return maximization plan under the Bank's acceptable range of credit risk.

d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including all the transactions in banking book and trading book, balance sheet and off-balance sheet transactions. With financial innovation, as new credit businesses become increasingly complex; business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

i) The Bank manages asset portfolios by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope.
- “Concentrative risks” are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

- i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.
- ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank’s quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

- i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties’ credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.
- ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.
- iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.
- iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.
- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

- a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.

- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
 - c) Risk Management Committee: Responsible for the risk management policies, various risk management regulations, annual risk appetites, limits, risk management proposals for the board of directors' approval levels and various risk management mechanisms, supervise and review credit, market, operations, liquidity, information security, AML, personal data protection, emergencies and other risk management, improve the Bank's risk management mechanism to ensure the effective implementation of the Bank's risk management procedures.
 - d) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.
 - e) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still need to be submitted to the competent level for review.
 - f) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.
 - g) The Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL regulations. It is also responsible for the preparation of risk management reports presented to appropriate management, and plans to establish monitoring tools for credit risk measurement.
 - h) Corporate Credit Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
 - i) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.
- 4) The scope and characteristics of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the board of directors or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-loan management and collection operations. The risk management units regularly provide analysis reports of various types of credit risk and asset quality in addition to the above operational procedures for management indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the board of directors to grasp the risk situations faced by the state, the group, the industry, the same related parties and the related enterprise risks.

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the FSC, as an important basis for credit risk management, and continues to adjust the direction of business development, credit policy and credit evaluation procedures.

5) Mitigation of risks or hedging of credit risk and monitoring the risk avoidance

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty’s bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank is as follows:

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2021	December 31, 2020
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	\$ 36,445,964	\$ 36,447,322
Maximum exposure amounts	36,445,964	36,447,322
Loan commitments	47,740,121	42,770,934

7) Concentrations of credit risk exposure

Concentrations of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic property to. The emergence of concentrations of credit risk includes the operating activities property of the debtor. The Bank does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On December 31, 2021 and 2020, the Bank's significant concentrations of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Manufacturing	\$ 35,727,129	22	\$ 39,738,714	24
Financial intermediary	41,327,187	26	39,539,115	24
Private	34,318,879	22	35,461,638	21

b) By counterparty

Credit Risk Profile by Counterparty Sector	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Private sector	\$ 124,727,114	78	\$ 130,638,655	79
Natural person	34,318,879	22	35,461,639	21

c) By geographical area

Credit Risk Profile by Geographical Area Sector	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Domestic	\$ 116,051,668	73	\$ 122,417,279	74
Other Asia area	27,972,835	18	25,203,739	15
America	11,220,593	7	11,781,416	7

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to other banks, financial asset at fair value through profit or loss, bills and bonds purchased under resell agreements, refundable deposits, operating deposits and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Bank assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Bank adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Bank considers both the 12-month and lifetime probability of default ("PD") of the borrower together with the loss given default ("LGD"), multiplied by the exposure at default ("EAD"), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower's probability to default, and the LGD refers to losses caused by such default. The Bank applies the PD and LGD for the impairment assessment of the credit business according to each group entity's historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model.

Considering the impact of COVID-19 to the overall economy, the Bank has adjusted the weights of the assessment factors to reflect the estimated influence of the economic indicator changes on the default rate.

The Bank estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Bank estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank's Association and Basel Accords. The Bank calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Bank uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Bank determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets that are classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Bank also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments

The Bank only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank and its subsidiaries' exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

In order to minimize credit risk, the Bank has tasked its credit management committee with developing and maintaining a credit risk grading framework for categorizing exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Bank considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses.

The Bank's current credit risk grading mechanism is as follows:

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

The gross carrying amounts of debt instrument investments by credit category were as follows:

Category	December 31	
	2021	2020
Performing	\$ 76,031,880	\$ 61,463,292
Doubtful	-	-
In default	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI for the years ended December 31, 2021 and 2020, grouped by credit rating, is reconciled as follows:

	Credit Rating
	Performing
	(12-month ECLs)
Allowance for Impairment Loss	
Balance at January 1, 2021	\$ 13,117
Transfers	
Normal to abnormal	-
Abnormal to default	-
Default to write off	-
New financial assets purchased	12,230
Derecognition of financial assets	(6,910)
Change in model or risk parameters	(469)
Exchange rate or other changes	<u>(210)</u>
Balance at December 31, 2021	<u>\$ 17,758</u>
	Credit Rating
	Performing
	(12-month ECLs)
Allowance for Impairment Loss	
Balance at January 1, 2020	\$ 9,655
Transfers	
Normal to abnormal	-
Abnormal to default	-
Default to write off	-
New financial assets purchased	7,730
Derecognition of financial assets	(3,772)
Change in model or risk parameters	(254)
Exchange rate or other changes	<u>(242)</u>
Balance at December 31, 2020	<u>\$ 13,117</u>

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank and its subsidiaries is as follows:

a) Credit analysis for receivables and discounts and loans

December 31, 2021					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Receivables	\$ 2,066,781	\$ 38,762	\$ 34,989	\$ -	\$ 2,140,532
Allowance for credit losses	(4,002)	(116)	(22,446)	-	(26,564)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(15,680)	(15,680)
Net total	<u>\$ 2,062,779</u>	<u>\$ 38,646</u>	<u>\$ 12,543</u>	<u>\$ (15,680)</u>	<u>\$ 2,098,288</u>
December 31, 2021					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans	\$ 146,664,018	\$ 11,147,931	\$ 1,234,045	\$ -	\$ 159,045,994
Allowance for credit losses	(324,263)	(78,499)	(237,243)	-	(640,005)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(1,657,668)	(1,657,668)
Net total	<u>\$ 146,339,755</u>	<u>\$ 11,069,432</u>	<u>\$ 996,802</u>	<u>\$ (1,657,668)</u>	<u>\$ 156,748,321</u>
December 31, 2020					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Receivables	\$ 1,388,906	\$ 25,392	\$ 34,166	\$ -	\$ 1,448,464
Allowance for credit losses	(3,249)	(106)	(23,009)	-	(26,364)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(8,995)	(8,995)
Net total	<u>\$ 1,385,657</u>	<u>\$ 25,286</u>	<u>\$ 11,157</u>	<u>\$ (8,995)</u>	<u>\$ 1,413,105</u>

December 31, 2020

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans	\$ 148,426,945	\$ 15,978,902	\$ 1,694,446	\$ -	\$ 166,100,293
Allowance for credit losses	(429,794)	(167,177)	(351,352)	-	(948,323)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(1,235,106)	(1,235,106)
Net total	<u>\$ 147,997,151</u>	<u>\$ 15,811,725</u>	<u>\$ 1,343,094</u>	<u>\$ (1,235,106)</u>	<u>\$ 163,916,864</u>

b) Credit analysis for marketable securities

	December 31, 2021
	At FVTOCI
Gross carrying amount	\$ 76,031,880
Allowance for impairment loss	<u>(17,758)</u>
Amortized cost	76,014,122
Fair value adjustment	<u>(199,246)</u>
	<u>\$ 75,814,876</u>
	December 31, 2020
	At FVTOCI
Gross carrying amount	\$ 61,463,292
Allowance for impairment loss	<u>(13,117)</u>
Amortized cost	61,450,175
Fair value adjustment	<u>299,702</u>
	<u>\$ 61,749,877</u>

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of December 31, 2021 and 2020, the Bank had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Bank's capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Bank's fund is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

- a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Bank's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.
- b) Manage current assets to ensure that the Bank have enough instantly-realized assets to deal with currency risks.
- c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Bank's liquidity.
- d) To establish an appropriate information system to measure, monitor and report liquidity risk.
- e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank's fund (including the introduction of new products or services) for managing current risks to help the Bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.
- f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.
- g) In addition to the monitoring of the capital requirements, under normal business conditions, the Bank should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2021 and 2020, the liquidity reserve ratio was 46.81% and 46.39%, respectively.

3) The analysis of cash outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

December 31, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	\$ 18,226,383	\$ 553,793	\$ -	\$ -	\$ -	\$ 18,780,176
Financial liabilities at fair value through profit or loss	-	36	-	-	-	36
Bills and bonds sold under repurchase agreements	632,282	264,028	-	-	-	896,310
Payables	479,485	40,829	198,698	894,196	4,308	1,617,516
Deposits and remittances	40,593,662	71,218,550	37,225,751	47,580,591	41,575,910	238,194,464
Bank debentures payable	-	-	1,500,000	1,000,000	12,500,000	15,000,000
Lease liabilities	7,806	16,346	24,167	31,788	115,579	195,686
Other financial liabilities	28,285	20,052	29,462	23,143	2,213,668	2,314,610
	<u>\$ 59,967,903</u>	<u>\$ 72,113,634</u>	<u>\$ 38,978,078</u>	<u>\$ 49,529,718</u>	<u>\$ 56,409,465</u>	<u>\$ 276,998,798</u>

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	\$ 15,339,755	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 22,339,755
Bills and bonds sold under repurchase agreements	1,036,430	403,255	-	-	-	1,439,685
Payables	931,973	88,178	122,691	679,902	102,341	1,925,085
Deposits and remittances	47,221,101	81,468,024	26,882,824	50,379,624	40,469,250	246,420,823
Bank debentures payable	-	1,300,000	1,000,000	600,000	13,500,000	16,400,000
Lease liabilities	7,918	16,882	23,481	44,436	169,337	262,054
Other financial liabilities	96,772	-	37,975	139,110	2,574,151	2,848,008
	<u>\$ 64,633,949</u>	<u>\$ 83,276,339</u>	<u>\$ 28,066,971</u>	<u>\$ 51,843,072</u>	<u>\$ 63,815,079</u>	<u>\$ 291,635,410</u>

- 4) The Bank assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 29,786	\$ 12,570	\$ 9,446	\$ 11,083	\$ -	\$ 62,885
Currency swap contracts	83,843	66,584	55,403	33,894	-	239,724
Currency option contracts - put	2,951	61	1,277	-	-	4,289
	116,580	79,215	66,126	44,977	-	306,898
Non-deliverable						
Interest rate swap contracts	365	-	882	1,537	6,527	9,311
	<u>\$ 116,945</u>	<u>\$ 79,215</u>	<u>\$ 67,008</u>	<u>\$ 46,514</u>	<u>\$ 6,527</u>	<u>\$ 316,209</u>
December 31, 2020						
Deliverable						
Forward contracts	\$ 12,252	\$ 21,126	\$ 5,384	\$ 3,957	\$ -	\$ 42,719
Currency swap contracts	201,106	259,317	51,569	56,584	-	568,576
Currency option contracts - put	3,658	2,511	342	1,519	-	8,030
	217,016	282,954	57,295	62,060	-	619,325
Non-deliverable						
Interest rate swap contracts	-	-	2,992	1,158	14,184	18,334
	<u>\$ 217,016</u>	<u>\$ 282,954</u>	<u>\$ 60,287</u>	<u>\$ 63,218</u>	<u>\$ 14,184</u>	<u>\$ 637,659</u>

- 5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the balance sheet.

December 31, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 350,039	\$ 1,341,312	\$ 245,066	\$ 40,189	\$ -	\$ 1,976,606
Other guarantees	22,389,858	9,248,991	1,931,450	680,597	218,462	34,469,358
Loan commitments	4,034,995	8,069,990	12,104,985	23,530,151	-	47,740,121
	<u>\$ 26,774,892</u>	<u>\$ 18,660,293</u>	<u>\$ 14,281,501</u>	<u>\$ 24,250,937</u>	<u>\$ 218,462</u>	<u>\$ 84,186,085</u>
December 31, 2020						
Unused letters of credit	\$ 225,238	\$ 309,705	\$ 99,347	\$ -	\$ -	\$ 634,290
Other guarantees	22,080,214	10,381,167	1,606,604	1,715,749	29,298	35,813,032
Loan commitments	3,614,999	7,229,999	10,844,998	21,080,938	-	42,770,934
	<u>\$ 25,920,451</u>	<u>\$ 17,920,871</u>	<u>\$ 12,550,949</u>	<u>\$ 22,796,687</u>	<u>\$ 29,298</u>	<u>\$ 79,218,256</u>

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices, commodity prices, etc.) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manages the market risk with active, careful attitude.

The Bank makes the profit mainly from trading business through knowing how market risk factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity for profit or loss. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussions by the president, the trading department and the market risk management department, it is submitted to the Risk Management Committee and the Board with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the Board, are the top stipulation in market risk management.

b) Risk Management Committee: In charge of stipulating risk management policy and monitoring the operating of market risk management. The Bank hold a risk management meeting per month to review the market risk limits and regulations, report various market risk limit control situations and market risk related matters.

c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT, 20-Day average liquidity and FS sensitivity limit to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at risk

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest rate and stock price change can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

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	December 31					
	2021			2020		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 1,684	\$ 5,086	\$ 365	\$ 2,701	\$ 5,282	\$ 352
Fair value risk resulting from interest rate	2,490	4,162	1,056	4,043	6,925	1,243
Fair value resulting from stock price	14,991	31,270	4,874	9,019	16,652	1,526

6) Effect of interest rate benchmark reform

The Bank is exposed to USD LIBOR and HKD HIBOR which are subject to interest rate benchmark reform. The exposures arise on non-derivative financial assets. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. HONIA (Hong Kong dollar Overnight Index Average) is expected to replace HKD HIBOR. There are key differences between these benchmarks. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Bank established USD LIBOR and HKD HIBOR transition project plans for each benchmark. These transition projects are considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications. As at December 31, 2021, the bank has identified all the information systems and internal processes that need to be updated, and planned the update schedule. The bank has completed the identification of the affected contracts, and expects to gradually switch to alternative interest rate indicators in the 2022, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Bank are not successfully concluded before the cessation of HKD HIBOR and USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

The following table contains details of all of the financial instruments held by the Bank at December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Book Value Not Transitioned to Alternative Benchmark Rates	Transition Progress
<u>USD LIBOR financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ 1,646,437	The Bank will pay close attention to the regulations of the competent authority, market development, and processing methods among other banks, and will cooperate with the issuer and counterparty to negotiate the contract revision. It is expected that the contract revision will be sold or completed in the first half of 2023.
Discounts and loans	<u>1,467,553</u>	It is expected to gradually switch to alternative interest rate indicators in 2022, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.
	<u>3,113,990</u>	
<u>HKD HIBOR financial asset</u>		
Discounts and loans	<u>275,113</u>	It is expected to gradually switch to alternative interest rate indicators in 2022, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.
	<u>\$ 3,389,103</u>	

7) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Foreign Currencies (Thousands)/NT\$ (Thousands)

	December 31, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 1,435,302	27.6897	\$ 39,743,050
JPY	3,981,909	0.2404	957,168
HKD	6,607,450	3.5506	23,460,279
EUR	23,832	31.3001	745,944
AUD	205,517	20.0948	4,129,826
RMB	409,068	4.3453/4.3460	1,777,809
Investments accounted for using the equity method			
USD	193,970	27.6897	5,370,957
RMB	202,722	4.3453	880,879
<u>Financial liabilities</u>			
Monetary item			
USD	2,466,916	27.6897	68,308,083
JPY	3,765,547	0.2404	905,159
HKD	3,221,115	3.5506	11,436,826
EUR	13,438	31.3001	420,622
AUD	47,150	20.0948	947,472
RMB	1,030,390	4.3460	4,478,073
December 31, 2020			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 1,573,471	28.5083	\$ 44,856,987
JPY	1,535,129	0.2763	424,210
HKD	6,379,301	3.6774	23,459,116
EUR	20,541	35.0416	719,802
AUD	204,922	21.9686	4,501,838
RMB	343,609	4.3665/4.3822	1,505,737
Investments accounted for using the equity method			
USD	183,689	28.5083	5,236,669
RMB	180,891	4.3665	789,863

(Continued)

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary item			
USD	\$ 2,201,609	28.5083	\$ 62,764,163
JPY	2,569,136	0.2763	709,943
HKD	4,719,183	3.6774	17,354,229
EUR	9,831	35.0416	344,494
AUD	8,597	21.9686	188,874
RMB	517,461	4.3822	2,267,592
			(Concluded)

f. Banking book interest rate risk

1) Source and definition of interest rate risk of banking book

Banking book's interest rate risk means the probably loss of non-trading book's position within balance sheet and off-balance sheet arise from interest change.

2) Management strategy and process of interest rate risk of banking book

The Bank controls this interest rate risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the interest rate risk of banking book within the limit.

3) Management organization and framework of interest rate risk of banking book

a) The Board of Directors: It is the top organization to supervise interest rate risk of banking book. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the board of director are the top stipulation in bank book interest risk.

b) Risk Management Committee: In charge of stipulating risk management policy of interest rate risk of banking book and monitoring the risk management operating of interest rate risk of banking book. The Bank assembles related departments to hold a risk management assessment meeting to review the risk management conditions of interest rate risk of banking book and the result of interest rate pressure test once a month.

c) Risk Management Department: In charge of risk management of interest rate risk of banking book. According to the Bank's regulation, the department is in charge of every operation related to management of interest rate risk of banking book, including planning limits, statistics, reporting and monitoring.

4) The extent and characteristics of interest rate risk report and evaluation system of banking book

The Risk Management Department set the regulation with banking book interest risk as follow, limit of position, Annual stop buying maximum loss limit, FS Sensitivity limit, duration/maturity limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Earnings View Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, First Class Capital Interest Rate Sensitivity Warning Limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps. In summary, it is intended to enhance the risk control framework of interest rate risk of banking book.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in special situation pressure test, and reports the result to the Assets and Liabilities Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders, and it also reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

Average balance was calculated at the daily average balances of interest-earning assets and interest-bearing liabilities.

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	For the Year Ended December 31			
	2021		2020	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks (part of cash and cash equivalents and other financial assets)	\$ 852,282	1.12	\$ 963,688	1.19
Call loans to other banks	10,051,381	0.17	9,081,872	0.76
Due from the Central Bank	5,321,116	0.39	5,315,272	0.46
Financial assets at FVTPL	43,042,384	0.31	66,571,088	0.52
Bills and bonds purchased under resale agreements	10,235	0.09	13,156	0.13
Discounts and loans	156,824,702	1.90	172,849,123	2.17
Financial assets at FVTOCI	69,166,776	0.61	51,321,095	0.93
Receivables	1,056,555	1.49	1,218,615	1.61
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	17,992,124	0.35	32,330,827	0.68
Demand deposits	64,352,856	0.20	50,459,872	0.33
Time deposits	173,099,432	0.44	192,091,535	0.88
Bill and bonds sold under repurchase agreements	1,909,925	0.20	2,256,438	0.32
Bank debentures payable	15,273,973	1.99	17,355,191	2.02

44. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Bank's common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above by the competent authority regulations.

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital in order to take effective measures when capital ratio and leverage ratio are getting worse.

c. Capital adequacy ratio

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Items		Year	December 31, 2021	
			Standalone Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		\$ 27,505,405	\$ 27,505,405
	Other Tier 1 capital		235,115	235,115
	Tier 2 capital		2,194,638	2,194,638
	Eligible capital		29,935,158	29,935,158
Risk-weighted assets	Credit risk	Standardized approach	184,900,099	184,900,099
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	9,483,113	9,483,113
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	9,171,150	9,171,150
		Internal model approach	-	-
Total risk-weighted assets			203,554,362	203,554,362
Capital adequacy ratio			14.71%	14.71%
Ratio of common equity to risk-weighted assets			13.51%	13.51%
Ratio of Tier 1 capital to risk-weighted assets			13.63%	13.63%
Leverage ratio			7.99%	7.99%

Items		Year	December 31, 2020	
			Standalone Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		\$ 26,668,441	\$ 26,668,441
	Other Tier 1 capital		300,001	300,001
	Tier 2 capital		2,843,868	2,843,868
	Eligible capital		29,812,310	29,812,310
Risk-weighted assets	Credit risk	Standardized approach	204,697,317	204,697,317
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	9,020,363	9,020,363
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	21,536,500	21,536,500
		Internal model approach	-	-
Total risk-weighted assets			235,254,180	235,254,180
Capital adequacy ratio			12.67%	12.67%
Ratio of common equity to risk-weighted assets			11.34%	11.34%
Ratio of Tier 1 capital to risk-weighted assets			11.46%	11.46%
Leverage ratio			7.49%	7.49%

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, the Bank’s standalone and consolidated capital adequacy ratio shall not be lower than 10.5%. The ratio of Tier 1 capital shall not be lower than 8.5%. The ratio of common equity shall not be lower than 7.0%. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

45. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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a. Credit risk

- 1) Asset quality of loans: See Table 4.
- 2) Concentration of credit extensions

December 31, 2021

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	\$ 6,256,678	17.20
2	B Group (real estate development)	3,973,750	10.92
3	C Group (glass and glass made product manufacturing)	3,404,716	9.36
4	D Group (real estate development)	3,311,005	9.10
5	E Group (real estate lease industry)	3,180,000	8.74
6	F Group (Insurance of the person)	2,940,000	8.08
7	G Group (real estate development)	2,432,955	6.69
8	H Group (water supply and remediation activities)	2,226,820	6.12
9	I Group (mixed concrete development)	2,195,533	6.03
10	J Group (unclassified other financial service)	2,070,000	5.69

December 31, 2020

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	\$ 6,070,402	17.07
2	F Group (unclassified other financial service)	5,000,000	14.06
3	G Group (real estate development)	3,948,600	11.11
4	B Group (real estate development)	3,463,866	9.74
5	C Group (glass and glass made product manufacturing)	2,867,564	8.06
6	K Group (retail sale of other food, beverages and tobacco in specialized stores)	2,694,711	7.58
7	H Group (water supply and remediation activities)	2,565,020	7.21
8	L Group (short-term accommodation)	2,506,680	7.05
9	I Group (mixed concrete development)	2,378,896	6.69
10	M Group (ocean transportation)	2,288,233	6.44

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with 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 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.”

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including 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 overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2021

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 152,300,462	\$ 20,291,583	\$ 18,349,678	\$ 24,096,996	\$ 215,038,719
Interest rate-sensitive liabilities	65,201,377	63,211,840	45,089,611	35,110,497	208,613,325
Interest rate-sensitive gap	87,099,085	(42,920,257)	(26,739,933)	(11,013,501)	6,425,394
Net worth					32,391,717
Ratio of interest rate-sensitive assets to liabilities					103.08%
Ratio of interest rate sensitivity gap to net worth					19.84%

December 31, 2020

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 166,617,648	\$ 27,109,896	\$ 19,442,085	\$ 13,240,863	\$ 226,410,492
Interest rate-sensitive liabilities	86,971,113	53,710,041	46,607,835	31,028,330	218,317,319
Interest rate-sensitive gap	79,646,535	(26,600,145)	(27,165,750)	(17,787,467)	8,093,173
Net worth					31,587,200
Ratio of interest rate-sensitive assets to liabilities					103.71%
Ratio of interest rate sensitivity gap to net worth					25.62%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank and excluded contingent assets and contingent liabilities items.

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

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

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

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 2021

(In Thousands of U.S. Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,133,803	\$ 21,691	\$ -	\$ 1,414,647	\$ 2,570,141
Interest rate-sensitive liabilities	1,080,612	1,217,122	120,832	508	2,419,074
Interest rate-sensitive gap	53,191	(1,195,431)	(120,832)	1,414,139	151,067
Net worth					126,544
Ratio of interest rate-sensitive assets to liabilities					106.24%
Ratio of interest rate sensitivity gap to net worth					119.38%

December 31, 2020

(In Thousands of U.S. Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,386,743	\$ 45,633	\$ 14,858	\$ 838,439	\$ 2,285,673
Interest rate-sensitive liabilities	1,142,565	874,559	148,455	40	2,165,619
Interest rate-sensitive gap	244,178	(828,926)	(133,597)	838,399	120,054
Net worth					120,088
Ratio of interest rate-sensitive assets to liabilities					105.54%
Ratio of interest rate sensitivity gap to net worth					99.97%

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

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

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

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

c. Liquidity risk

1) Profitability

(In %)

Items		For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Return on total assets	Before income tax	0.63	0.37
	After income tax	0.57	0.35
Return on equity	Before income tax	5.60	3.59
	After income tax	5.12	3.33
Net income ratio		33.40	24.67

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

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

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

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

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2021

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 252,962,571	\$ 49,606,865	\$ 13,769,195	\$ 24,172,783	\$ 31,312,899	\$ 25,351,214	\$ 108,749,615
Main capital outflow on maturity	290,582,062	22,516,947	28,684,600	58,640,450	41,329,378	69,994,808	69,415,879
Gap	(37,619,491)	27,089,918	(14,915,405)	(34,467,667)	(10,016,479)	(44,643,594)	39,333,736

December 31, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 262,332,096	\$ 64,095,871	\$ 20,700,615	\$ 22,974,910	\$ 23,836,815	\$ 30,968,773	\$ 99,755,112
Main capital outflow on maturity	295,589,959	18,721,529	26,002,566	72,207,928	33,181,228	67,024,836	78,451,872
Gap	(33,257,863)	45,374,342	(5,301,951)	(49,233,018)	(9,344,413)	(36,056,063)	21,303,240

Note: The Bank amounts refer to the total NTD amounts of the overall Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 4,367,803	\$ 1,828,104	\$ 961,934	\$ 405,965	\$ 348,921	\$ 822,879
Main capital outflow on maturity	4,496,465	1,915,031	1,073,733	646,113	332,035	529,553
Gap	(128,662)	(86,927)	(111,799)	(240,148)	16,886	293,326

December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,300,572	\$ 989,563	\$ 742,797	\$ 349,232	\$ 248,629	\$ 970,351
Main capital outflow on maturity	3,381,571	1,122,743	933,356	429,820	268,086	627,566
Gap	(80,999)	(133,180)	(190,559)	(80,588)	(19,457)	342,785

Note 1: The Bank amounts refer to the total USD amounts of the overall Bank.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
December 31, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,727,352	\$ 1,110,761	\$ 299,055	\$ 42,184	\$ 65,770	\$ 209,582
Main capital outflow on maturity	1,718,524	792,860	400,188	197,111	94,077	234,288
Gap	8,828	317,901	(101,133)	(154,927)	(28,307)	(24,706)

December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,189,456	\$ 646,460	\$ 127,635	\$ 52,502	\$ 45,992	\$ 316,867
Main capital outflow on maturity	1,169,148	328,887	276,564	143,306	114,680	305,711
Gap	20,308	317,573	(148,929)	(90,804)	(68,688)	11,156

46. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2021

	January 1, 2021	Cash Inflow (Outflow)	None Cash		December 31, 2021
			Add Leasing	Other	
Bank debentures payable	\$ 16,400,000	\$ (1,400,000)	\$ -	\$ -	\$ 15,000,000
Lease liabilities	253,261	(96,711)	31,037	2,648	190,235
Other financial liabilities	2,848,008	(533,398)	-	-	2,314,610
Other liabilities	<u>61,836</u>	<u>183,846</u>	<u>-</u>	<u>-</u>	<u>245,682</u>
	<u>\$ 19,563,105</u>	<u>\$ (1,846,263)</u>	<u>\$ 31,037</u>	<u>\$ 2,648</u>	<u>\$ 17,750,527</u>

For the year ended December 31, 2020

	January 1, 2020	Cash Inflow (Outflow)	None Cash		December 31, 2020
			Add Leasing	Other	
Bank debentures payable	\$ 18,700,000	\$ (2,300,000)	\$ -	\$ -	\$ 16,400,000
Lease liabilities	313,446	(98,007)	35,240	2,582	253,261
Other financial liabilities	3,468,649	(620,641)	-	-	2,848,008
Other liabilities	<u>45,188</u>	<u>16,648</u>	<u>-</u>	<u>-</u>	<u>61,836</u>
	<u>\$ 22,527,283</u>	<u>\$ (3,002,000)</u>	<u>\$ 35,240</u>	<u>\$ 2,582</u>	<u>\$ 19,563,105</u>

47. OTHERS

The Bank has evaluated the economic impact of the COVID-19. Until the issue date of the financial statements, the Bank found no significant impact on its financial condition and operations through its relevant risk management and control procedures.

48. ADDITIONAL DISCLOSURES

- a. Related information of significant transactions and investees and
- b. Names, locations, and other information of investees over which the Bank exercises significant influence
 - 1) Financing provided: The Bank - not applicable; investees - Table 1 (attached)
 - 2) Endorsement/guarantee provided: The Bank - not applicable; investees - Table 2 (attached)
 - 3) Marketable securities held: The Bank - not applicable; investees - Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT \$300 million or 10% of the paid-in capital: None
 - 5) Acquisition of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None

- 7) Allowance of service fees to related parties amounting to at least NT \$5 million: None
 - 8) Receivables from related parties amounting to at least NT \$300 million or 10% of the paid-in capital: None
 - 9) Sale of non-performing loans: None
 - 10) Information of applying for authorization of securitized product type according to the “Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization”: None
 - 11) Other significant transactions which may affect the decisions of users of individual financial reports: None
 - 12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Bank exercises significant influence.” - Table 5 (attached)
 - 13) Derivative instrument transactions: Note 8
- c. Investment in mainland China: Table 6 (attached)
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 7 (attached)

O-BANK CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

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 Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)	Note
													Item	Value			
1	IBT Leasing	Inhon Communication Co., Ltd. An Chieh Bao Corp. Yuan Mao Construction Co., Ltd. Taroko Entertainment Co., Ltd. Priority International Finance Qiaoding Investment Co., Ltd. Taiwan Star Telecom Corporation Limited Teaphon Energy Co., Ltd. Home Credit Vietnam Finance Co., Ltd. VPhank Finance Co., Ltd.	Account receivable - short-term accommodations	No	\$ 50,000	\$ 38,021	\$ 38,021	2-8	2	\$ -	- Working capital turnover	\$ 504	Margin	\$ 10,000	\$ 330,631	\$ 1,322,524	
			Account receivable - short-term accommodations	No	40,000	37,887	37,887	2-8	2	-	- Working capital turnover	574	Margin	6,000	330,631	1,322,524	
			Account receivable - short-term accommodations	No	135,000	110,700	110,700	2-8	2	-	- Working capital turnover	1,993	Stock	64,680	330,631	1,322,524	
			Account receivable - short-term accommodations	No	38,907	-	-	2-8	2	-	- Working capital turnover	-	Stock	-	330,631	1,322,524	
			Account receivable - short-term accommodations	No	24,000	509	509	2-8	2	-	- Working capital turnover	9	Certificate of deposit	1,200	330,631	1,322,524	
			Account receivable - short-term accommodations	No	96,000	84,000	84,000	2-8	2	-	- Working capital turnover	1,512	Stock/real estate	51,830	330,631	1,322,524	
			Account receivable - short-term accommodations	No	150,000	50,643	50,643	2-8	1	150,000	-	658	Equipment	33,152	330,631	3,306,309	
			Account receivable - short-term accommodations	No	120,000	86,477	86,477	2-8	2	-	- Working capital turnover	1,557	-	-	330,631	1,322,524	
			Account receivable - short-term accommodations	No	41,715	41,535	41,535	2-8	2	-	- Working capital turnover	542	Account receivable	-	330,631	1,322,524	
			Account receivable - short-term accommodations	No	111,239	110,759	110,759	2-8	2	-	- Working capital turnover	1,084	Account receivable/pledge receivable	-	330,631	1,322,524	
			2	IBT International Leasing Corp.	Suzhou Leading Car Service Co., Ltd. Nanjing Fordland automobile leasing Co., Ltd.	Entrusted loans	No	15,054	-	-	6-16	2	-	- Working capital turnover	-	-	-
Entrusted loans	No	15,054				-	-	6-16	2	-	-	- Working capital turnover	-	-	-	312,529	1,250,114

Note 1: Explanation:

- Issuing entity: 0.
- Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business "1"; short-term financial intermediation "2".

Note 3: IBT Leasing and IBT International Leasing Corp. loaned to individual company were limited by 10% net assets.

Note 4: Each issuing entity's total amount of loans was limited to 40% of IBT Leasing Corp.'s, IBT International Leasing Corp.'s and IBT Tianjin International Leasing Corp.'s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100% of the corporation's net assets.

O-BANK CO., LTD.

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021**
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
1	IBT Leasing	IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd.	b b	\$ 26,450,470 26,450,470	\$ 10,220,376 80,000	\$ 8,515,411 80,000	\$ 6,647,184 -	\$ - -	257.55 2.42	\$ 39,675,705 39,675,705	No No	No No	Yes No

Note 1: Explanation:

- a. Issuing entity: 0.
- b. Invested companies were sequentially numbered from 1.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

- a. Trading partner.
- b. Directly and indirectly owns over 50% of the common stocks of the subsidiary.
- c. Companies that directly and indirectly hold more than 50% of the voting rights of the company.
- d. The company directly or indirectly holds more than 90% of the voting shares.
- e. Guaranteed by the Bank according to the construction contract.
- f. An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.
- g. The inter-industry is engaged in joint and several guarantees for the performance of the pre-sale house sales contract in accordance with the Consumer Protection Law.

Note 3: Based on the Bank's guidelines, the maximum amount of guarantee to IBT International Leasing Corp. is up to eight times of the Bank's net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the Bank is up to twelve times of the Bank's net value.

Note 4: The endorsement belongs to the grandson company from IBT International Leasing Corp.

O-BANK CO., LTD.**MARKETABLE SECURITIES HELD****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	
IBT Holdings	Stocks EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US\$ 193,970	91.78	US\$ 193,970
IBT Management Corp.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	27,867	1.02	27,867
	Stocks Thunder Tiger Biotechnology Co., Ltd	-	Financial asset at FVTPL	1,773	39,329	7.38	39,329
	TaiRx Co., Ltd	-	Financial asset at FVTPL	511	27,147	0.57	27,147
	Beauty Essentials International Ltd. (Samoa)	-	Financial asset at FVTPL	25,974	31,379	2.41	31,379
	Houdou Pimshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	15,044	2.17	15,044
	Shihlien China Holding Corp.	-	Financial asset at FVTPL	19,682	89,367	0.46	89,367
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	400	17,140	0.18	17,140
IBT Leasing Co., Ltd.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	111,689	4.09	111,689
	Stocks IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,969,021	95.00	2,969,021
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	708,218	100.00	708,218
	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	Financial asset at FVTOCI	533	32,033	0.16	32,033
	Shihlien China Holding Corp.	-	Financial asset at FVTOCI	32,500	147,568	0.75	147,568
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	1,700	72,845	0.77	72,845
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	14,000	127,540	4.67	127,540

(Continued)

O-BANK CO., LTD.

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars or in %)

Period	December 31, 2021					December 31, 2020					
	Items	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 403,576	\$ 71,506,153	0.56%	\$ 1,017,517	252.13%	\$ 418,641	\$ 74,359,778	0.56%	\$ 910,746	217.55%
	Unsecured	231,441	60,333,924	0.38%	866,270	374.29%	268,279	64,041,050	0.42%	860,294	320.67%
Consumer banking	Housing mortgage (Note 4)	-	13,360,217	-	200,760	-	7,544	15,334,873	0.05%	230,205	3.051.50%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	-	1,931,948	-	26,515	-	310	1,537,037	0.02%	19,537	6.302.26%
	Other (Note 6)	14,843	6,678,039	0.22%	133,907	902.16%	9,246	4,886,019	0.19%	59,492	5.955.16%
Total lending business	649,860	159,045,994	0.41%	2,297,673	353.56%	705,019	166,100,293	0.42%	2,183,429	309.70%	
Credit cards	-	-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 7)	-	1,568,952	-	16,499	-	-	-	869,297	-	9,380	-
Exempt amount - due to debt negotiation and performance (Note 8)	\$ -	-	-	-	-	-	-	-	-	-	-
Debt settlement plan and rehabilitative program (Note 9)	\$ -	98,026	-	-	-	-	-	79,994	-	-	-
Total											

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are 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 2: Ratio of Nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Ratio of Nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 2005 and are not credit cards or cash cards.

Note 6: "Others" in consumer finance refers to other secured or unsecured consumer loans that are not "residential property mortgage", "cash cards", "small amount pure credit loans", "excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as Nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 9: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 dated September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

O-BANK CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEE OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
 DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment			Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total Percentage of Ownership (%)	
<u>Financial institution</u>									
Investments accounted for using the equity method									
Beijing Sunshine Consumer Finance Co., Ltd.	Beijing City, China	Financing business	20.00	\$ 880,879	\$ 94,846	200,000	-	200,000	20.00
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	7,183,258	526,998	382,532	-	382,532	28.48
IBT Holdings Corp.	California, America	Holding company	100.00	5,406,277	316,906	10,869	-	10,869	100.00
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	3,306,821	478,102	288,087	-	288,087	100.00
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	256,504	4,097	13,400	-	13,400	100.00
Financial assets at FVTOCI									
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	1,574	-	300	-	300	0.50
<u>Non-financial institution</u>									
Investments accounted for using the equity method									
Financial assets at FVTOCI									
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	301,673	(4,955)	318,281	-	318,281	99.75
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	33,610	-	6,997	-	6,997	8.82
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	7,967	-	244	-	244	2.18

O-BANK CO., LTD.**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021**

(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from January 1, 2021 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from December 31, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	\$ 426,393 (US\$ 15,399)	Note 2 c.	\$ 55,379 (US\$ 2,000)	\$ -	\$ -	\$ 55,379 (US\$ 2,000)	2.60	\$ -	\$ 55,379 (US\$ 2,000)	\$ -
Ou Suomiluo Food Co., Ltd.	Coffee retailing	43,453 (RMB 10,000)	Note 2 c.	13,845 (US\$ 500)	-	-	13,845 (US\$ 500)	2.09	-	13,845 (US\$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	235,947 (RMB 54,300)	Note 2 c.	55,379 (US\$ 2,000)	-	-	55,379 (US\$ 2,000)	2.18	-	55,379 (US\$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,345,250 (RMB 1,000,000)	Note 2 d.	869,050 (RMB 200,000)	-	-	869,050 (RMB 200,000)	20.00	94,846	880,879 (RMB 200,000)	-

Accumulated Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$124,603 (US\$4,500) \$869,050 (RMB200,000)	\$124,603 (US\$4,500) \$869,050 (RMB200,000)	Note 4

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,799,829 (US\$ 65,000)	Note 2 d.	\$ 1,462,015 (US\$ 52,800)	\$ -	\$ -	\$ 1,462,015 (US\$ 52,800)	100.00 (Note 6)	\$ 414,771 (Notes 3 and 7)	\$ 2,969,021 (Note 7)	\$ -
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,151,736 (US\$ 800,000)	Note 2 c.	123,413 (US\$ 4,457)	-	-	123,413 (US\$ 4,457)	0.75	-	(US\$ 123,413 4,457)	-
Shihlien Brine Huanan Co.	Production of glass materials	886,069 (US\$ 32,000)	Note 2 c.	10,494 (US\$ 379)	-	-	10,494 (US\$ 379)	0.75	-	(US\$ 10,494 379)	-

Accumulated Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$1,595,922 (US\$57,636)	\$1,595,922 (US\$57,636)	Note 5

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Notes 1 and 9)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	\$ 119,896 (US\$ 4,330)	Note 2 c.	\$ 1,994 (US\$ 72)	\$ -	\$ -	\$ 1,994 (US\$ 72)	2.17	\$ -	\$ 1,994 (US\$ 72)	\$ -
Topping Cuisine International Holding, Ltd.	Food retailing	143,986 (US\$ 5,200)	Note 2 c.	11,740 (US\$ 424)	-	-	11,740 (US\$ 424)	2.17	-	(US\$ 11,740 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,538 (US\$ 200)	Note 2 c.	194 (US\$ 7)	-	-	194 (US\$ 7)	2.17	-	(US\$ 194 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	83,069 (US\$ 3,000)	Note 2 c.	19,050 (US\$ 688)	-	-	19,050 (US\$ 688)	2.41	-	(US\$ 19,050 688)	-
Meike information technology	Cosmetic retailing information technology	47,072 (US\$ 1,700)	Note 2 c.	803 (US\$ 29)	-	-	803 (US\$ 29)	0.93	-	(US\$ 803 29)	-
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,151,736 (US\$ 800,000)	Note 2 c.	74,734 (US\$ 2,699)	-	-	74,734 (US\$ 2,699)	0.46	-	(US\$ 74,734 2,699)	-
Shihlien Brine Huanan Co.	Production of glass materials	886,069 (US\$ 32,000)	Note 2 c.	6,341 (US\$ 229)	-	-	6,341 (US\$ 229)	0.46	-	(US\$ 6,341 229)	-

Accumulated Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$114,856 (US\$4,148)	\$114,856 (US\$4,148)	\$153,897 (Note 8)

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,799,829 (US\$ 65,000)	Note 2 d.	\$ 337,814 (US\$ 12,200)	\$ -	\$ -	\$ 337,814 (US\$ 12,200)	5.00	\$ 21,830 (Notes 3 and 7)	\$ 156,264 (Note 7)	\$ -

Accumulated Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$337,814 (US\$12,200)	\$337,814 (US\$12,200)	\$424,931 (Note 8)

Note 1: The amount is after the exchange rate adjustment for the year ended December 31, 2021.

Note 2: There were five investment approaches stated as follows.

- Investment in mainland China by remittance via a third country.
- Indirect investment in mainland China via setting a company in a third country.
- Indirect investment in mainland China via investing in a current company in a third country. (Via investing Dio Investment, Ltd., Shengzhuang Holding, Ltd., Shilten China Holding Co., Limited, Topping Cuisine International Holding, Ltd., and Beauty Essential International, Ltd.)
- Direct investment in mainland China.
- Others.

Note 3: From financial statements audited by other CPA.

Note 4: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under "the regulation of investing or technology-cooperation in China".

Note 5: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Bureau of the Ministry of Economic Affairs in line with the operational headquarters in September 2021, so it is not under "the regulation of investing or technology-cooperation in China".

Note 6: IBT Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. on January 1, 2019. IBT Leasing Co., Ltd. holds 95% stock of IBT International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 7: The accumulated investment amount of IBT Tianjin International Leasing Corp., which included the investment profit and loss and the book value of the investment at the end of the period, is composed of 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 8: The original investment is within the limit.

Note 9: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

(Concluded)

O-BANK**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ming Shan Investment Co., Ltd.	386,271,554	12.74
Yi Chang Investment Co., Ltd.	289,007,997	9.53
Taixuan Investment Co., Ltd.	287,135,501	9.47

Note 1: The major shareholder's information on this table is on the last business day at the end of the quarter from the Taiwan Central Depository and Clearing Co., Ltd. The shareholding included shares that the company has completed the delivery of the common stock and preferred stock without physical registration (including treasury shares) of more than 5%. The share capital recorded in the Bank's financial report and the actual number of shares has been actually delivered without physical registration. Differences, if any, may be due to the basis of preparation and calculation.

Note 2: If shareholders transfer the shareholding to a trust, the trustee will open the trust account to separate the account. Shareholders' handling of insider shareholdings with more than 10% of their shares shall be in accordance with the Securities Exchange Act. However, their shareholdings include their own shares plus their delivery to the trust and the use of decision-making shares in the trust property. Information on insider equity declaration refers to the Public Information Observatory.

Note 3: The number of shares is the total number of common stocks and preferred stocks.

Note 4: Shareholding ratio (%) = The total number of shares held by the shareholder ÷ The total number of shares that have been delivered without physical registration. It is calculated to the second decimal place and rounded off after the third decimal place.

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