



Des Herbstes Runengespinst-für Paul Celan

Anselm Kiefer (b.1945)

Oil, emulsion, acrylic, plaster, lead, straw, branches and charcoal on canvas

280.5 x 380cm

Executed in 2005

Artwork in CTBC Financial Park, Nangang Dist., Taipei City.

The ashes of the scorched earth are the fertile soil for the coming spring

A metaphor for the new life that will come to the earth

Demonstrating how CTBC protects our country and our home

CTBC Bank Co., Ltd.

Address: No. 166, 168, 170, 186, 188, Jingmao 2nd Rd., Nangang Dist.,
Taipei City 115, Taiwan (R.O.C.)
Tel: +886-2-3327-7777
Website: <https://www.ctcbank.com>

Spokesperson

Name: Ya-Ling Chiu
Position: Executive vice president
Tel: +886-2-3327-7777
Email: yaling.chiu@ctcbank.com

Acting spokesperson

Name: Roger Kao
Position: Senior executive vice president
Tel: +886-2-3327-7777
Email: roger.kao@ctcbank.com

Stock Transfer Agency

Agency: Corporate Trust Operation and Service Department, CTBC Bank
Co., Ltd.
Address: 5F., No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist.,
Taipei City 100, Taiwan (R.O.C.)
Tel: +886-2-6636-5566
Website: <https://www.ctcbank.com>

Certified Public Accountants

Names: Lin Wu, Tim Tzang
Business Office: KPMG Certified Public Accountants
Address: 68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist.,
Taipei City 110, Taiwan (R.O.C.)
Tel: +886-2-8101-6666
Website: <http://www.kpmg.com.tw>

Credit Rating Institutions

Taiwan Ratings Corp.

Address: 2F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City 105,
Taiwan (R.O.C.)
Tel: +886-2-2175-6800
Website: <https://www.taiwanratings.com>

S&P Global Ratings

Address: Unit 1, Level 69, International Commerce Centre,
1 Austin Rd. West, Kowloon, Hong Kong
Tel: +852-2533-3500
Website: <https://www.standardandpoors.com>

Moody's Investors Service Hong Kong Ltd.

Address: 24F., One Pacific Place, 88 Queensway, Admiralty,
Hong Kong
Tel: +852-3758-1300
Website: <https://www.moodys.com>

Overseas Exchange for Trading of Company securities

(None)

For the contact information of our headquarters and various
branches in Taiwan and overseas, please refer to page 46-52

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1. Letter to shareholders

Dear fellow shareholders:

Upended by Covid-19, the global economy experienced a severe recession in 2020. Governments worldwide rapidly launched extensive monetary easing policies and financial stimulus measures in response to the pandemic. CTBC Bank saw a decline in overall profit due to interest rate drops and pandemic-impacted overseas asset quality; nevertheless, backed by our appropriate operations in the capital market and growth in wealth management and consumer finance, we maintained the best operating performance in the industry. We also partnered with the government to provide various relief loans to those affected by the pandemic, including by utilizing our digital capabilities to help 280,000 workers apply for relief loans as well as to provide SME relief loans to soften the impact on these businesses.

Looking ahead in 2021, the pandemic will continue to affect the global economy. As such, our Bank has adopted various measures to stabilize our business operations, fulfill our social responsibility, comply with government policies, and help our customers and employees overcome whatever challenges the future brings.

2020 business plan and implementation results

In terms of its financial performance in 2020, CTBC Bank reported annual consolidated net revenue of NT\$98.9 billion, consolidated pre-tax income of NT\$32.3 billion, and consolidated after-tax income of NT\$27.3 billion, with a consolidated after-tax ROE of 8.77%, which placed us in the leading position in the industry. Due to the impact of the pandemic, we saw a 5% decline in consolidated net revenue and a 12% decline in consolidated after-tax income from the 2019 fiscal year, achieving 83% of the consolidated after-tax net profit estimated in our target budget released the previous year.

In major business developments, CTBC Bank, as the leader in Taiwan's mobile payment market and believing that finance will grow even more deeply integrated into daily life, collaborated with instant messaging service LINE to issue the CTBC LINE Pay card. As of the end of 2020, we had issued 3.75 million CTBC LINE Pay cards, making it the most widely issued card ever in Taiwan. In addition, as mentioned, we utilized digital innovation and a rapid response approach to process approximately 280,000 worker relief loan applications in just six weeks, accounting for a quarter of the applications processed by all banks nationwide. In using our leading digital abilities to actively support this government relief loan program, we also advanced toward our goal of increasing financial inclusion.

In product and service innovation, CTBC Bank in November 2020 launched Penny Piggy, the first investment product in the form of a subscription service. With each credit card payment the customer makes, the service uses a patented smart investment technology to set aside a small amount of money for investing. Meanwhile, to further optimize the customer experience, CTBC Bank used the LINE Pay platform to embed personal loan services into the most common everyday use scenarios. The service allows loans to be disbursed in as little as three minutes of an application being filed, further putting into practice our “banking everywhere, not just at the bank” philosophy. In January 2021, CTBC Bank used blockchain to launch Taiwan’s first green power procurement platform, providing a one-stop shop for green power transaction services and enhancing the efficiency, transparency, and safety of green power transactions. This partnership is another demonstration of CTBC Bank’s efforts to promote environmental and social sustainability in the financial industry, to realize its corporate social responsibility (CSR), and to keep pace with international sustainability developments.

Regarding organizational changes, to enhance the strategic development of our overseas institutional finance business, we established an Overseas Branch Business Division under the International Business Group in January 2021 to integrate the business planning and execution of overseas branches and offices with cross-border business development and management, which was previously managed by various regional business divisions under the International Business Group. Moreover, to improve the quality of credit investigations and accelerate the cultivation of talent, CTBC Bank established an Institutional Banking Credit Analysis Division in January 2021 to be responsible for the business planning and execution of institutional finance credit investigation business and relevant research, analysis, and recommendations, thereby improving credit risk management and effectively assisting institutional finance business operations.

We also continued our efforts in digital innovation last year. The Data Intelligence R&D Division, Global Information Service Division, and Digital Finance Division jointly formed the Financial Technology Development Center in January 2020, in which the Data Intelligence R&D Division was simultaneously designated to manage data governance, AI technology, and the development of data operation strategy. In the future, this integrated fintech team will develop and promote fintech strategy and operations through agile development, helping to promote innovative services and implement our Bank’s digital transformation.

CTBC Bank received substantial acclaim in 2020 from domestic and international institutions. It was ranked 155th among the global top 1,000 banks by *The Banker*, taking first place in Taiwan for the fourth consecutive year. The Bank was the only financial institution in Taiwan to be named among the Top 20 Asia-Pacific Banks and to receive a Best Bank in Taiwan award from IDC. It was also selected as the Best Bank in Taiwan by *Euromoney*, *Asiamoney*, *FinanceAsia*, and *The*

Asset. In addition, *The Asian Banker* ranked CTBC Bank No. 1 in Taiwan in its Most Helpful Banks in Asia Pacific During Covid-19 awards. We believe that such recognition favorably reflects our performance in stabilizing business, promoting digital innovation, and collaborating with the government in granting relief loans during the pandemic.

In risk management, CTBC Bank continued to strictly control its asset quality and capital adequacy in 2020. Our consolidated non-performing loan and coverage ratios were 0.49% and 272.01%, respectively, indicating satisfactory asset quality, while our consolidated BIS ratio was 14.61%, signifying a sound capital structure. Furthermore, domestic and international credit rating agencies maintained their stable outlooks for the Bank on the back of its diverse business sources, adequate risk management, good funding sources and liquidity, and significant business position in the domestic market.

Latest credit ratings and effective dates

Rating agency	Credit rating		Outlook	Publication date
	Long-term	Short-term		
Moody's	A2	P-1	Stable	Dec. 16, 2020
S&P Global Ratings	A	A-1	Stable	Nov. 17, 2020
Taiwan Ratings	twAA+	twA-1+	Stable	Nov. 17, 2020

Impact of the competitive, regulatory, and overall business environments

Covid-19 has severely disrupted the global economy. The IMF's predictions showed a substantial decline in global economic growth from 2.8% in 2019 to -3.5% in 2020. The forecast growth rates of the U.S., euro area, and China fell from 2.2% to -3.4%, 1.3% to -7.2%, and 6.1% to 2.3%, respectively, while the growth of most emerging economies also contracted. Taiwan had relatively strong control of the pandemic, which also brought new business opportunities. With the diversification of global supply chains and offshore funds investing in Taiwan, the economy grew at 3.11% in 2020—higher than the 2019 rate of 2.96% and outpacing all major economies and trade competitors.

Outside of Taiwan, the global slowdown has led to monetary policy changes in major economies. The U.S. Federal Reserve rapidly lowered interest rates to zero in 2020 and launched an unlimited bond-purchasing plan. The European Central Bank, Bank of Japan, and People's Bank of China also relaxed their monetary policies. As for fiscal policy, many countries implemented unprecedented

stimulus plans to assist individuals and businesses hit by the pandemic. Faced with the high uncertainty, Taiwan's central bank reduced the rediscount rate by 0.25% to 1.125%.

Overall in 2020, the world suffered from a severe recession, with a large scale of rate reductions and quantitative easing. Financial markets were in turn influenced by the interaction of abundant liquidity and high uncertainty, which resulted in drastic fluctuations, and the overall environment was unfavorable for the banking business.

2021 business plan outline and future development strategies

Looking ahead, CTBC Bank will continue to pursue asset growth while maintaining risk discipline and will focus on developing its franchise business. In addition, as it strives to develop long-term differentiated operations in response to the low interest rate environment, the Bank will increase the contribution of its retail business, transform its institutional banking operations, and digitize its operations. Regarding digitization, the Bank will scale up its process redesign efforts, modernize its banking technology, and invest in new data capabilities for better efficiency, productivity, and operation quality.

1. Stabilize asset quality and seize growth opportunities in the post-pandemic new normal of low interest rates

CTBC Bank will ensure long-term stable asset quality by actively managing its large overseas exposure impacted by the pandemic. Furthermore, it will grasp business opportunities presented by the new normal, including customers' increasing need for risk assets amid low rates and the post-pandemic preference for digital services. We will embed financial services in customers' everyday lives and enlarge our customer base by making it convenient to bank anytime, anywhere. Furthermore, even amid the pandemic, intense competition means enterprises are actively establishing second production bases. CTBC Bank will extend its advantage in its core customer groups and utilize its overseas platforms to seize the business opportunities arising from supply chain shifting.

2. Expand process digitalization for cost efficiency and productivity

We have three goals for our digital transformation: establish a competitive advantage in digital customer experience, optimize processes for efficiency, and cultivate digital innovation for future competitiveness. In 2021, we will scale up process digitalization and redesign of our customer journeys. We will also invest in data governance and advanced analytics platforms to respond to customers' needs in a timelier manner and to enhance productivity.

3. Modernize core banking system for operational stability and efficiency

CTBC Bank's first- and second-generation core banking IT systems have been supporting its business for almost 30 years. Entering the digital era and facing innovative business models, our

next-generation technology architecture will be able to fulfill business development needs in time to advantage from market and product innovation. In an environment of increasing global economic uncertainty, CTBC Bank will continue to pursue asset growth while maintaining risk discipline and will maximize value for its shareholders through its diversified business model and solid balance sheet.

Chairman:



2. Company profile

2.1. Company overview

2.1.1. Date of establishment: March 14, 1966

2.1.2. History of the Bank

Established in 1966, CTBC Bank has been building customers' wealth and Taiwan's economy for over half a century now. In that time, it has grown into an international force offering a comprehensive suite of financial services.

Guided by the business principles of integrity and caring, our Bank has a proud history punctuated by regular achievements and innovative services. From issuing the first credit card in Taiwan to setting up the first customer service center of any bank in the country, we have led the way in the financial industry's transformation, particularly by promoting the digitalization of business processes. As of the end of 2020, the Bank's consolidated assets totaled NT\$4.51 trillion, the most among all privately owned banks in Taiwan. It is also the best-performing bank in other indicators, such as profits, tier 1 capital, and client base.

In addition to its 152 branches nationwide, CTBC Bank has the most extensive international presence of any Taiwanese bank, with 116 overseas branches across 14 countries and regions. With a subsidiary, The Tokyo Star Bank, purchased in Japan and CTBC Bank subsidiaries established in the U.S., Canada, the Philippines, and Indonesia, the Bank has laid a strong foundation for regional business, providing international enterprises with comprehensive transnational financial services.

Furthermore, in support of the Taiwanese government's New Southbound Policy, the Bank has proactively expanded its South and Southeast Asian business in recent years by leveraging its existing branches in Vietnam, India, and Singapore. It is also the first financial institution in Taiwan to have acquired a stake in a local Thai operator, LH Financial Group Public Company Limited. In Greater China, meanwhile, the Bank is cultivating business in the Yangtze River Delta Economic Zone and the Guangdong–Hong Kong–Macau Greater Bay Area, with Shanghai at the heart of its expansion into the Chinese market. Together, these advances abroad are providing our customers with a more convenient and comprehensive service network.

Looking ahead, we're determined to continue leading the industry in digitalization, leveraging fintech and Big Data to drive innovation and create entirely new and engaging digital experiences for our customers. We will also continue to expand our efforts in operational performance, corporate governance, CSR, and environmental sustainability as we cement our status as "Taiwan Champion, Asia Leader."

Domestic awards

- **Financial Supervisory Commission, Excellent Bank in Expediting Relief and Economic Stimulus Loans by Domestic Banks**

Number of Cases Category - Government-Run Relief - No. 1

Efficiency Category - Efficiency A (Self-Run Relief - Existing Loan Extension), No. 1

Efficiency Category - Efficiency D (Government-Run Relief - New Loan) - No. 1

Efficiency Category - Efficiency E (Government-Run Relief - Percentage of Electronic Cases to Total Relief Cases), No. 1

Number of Cases Category - Self-Run Relief - No. 3

Efficiency Category - Efficiency E (Self-Run Relief - Percentage of Electronic Cases to Total Relief Cases) - No. 3.

- **Financial Supervisory Commission, Insurance Contest**

Micro Insurance Contest Insurance Broker/Agent Category - No. 3

- **Taiwan Academy for Banking and Finance, Taiwan Banking and Finance Best Practice Awards**

Best Trust Finance Award - High Distinction

Best Wealth Management Award - Excellence

Best Consumer Finance Award - Excellence

Best Digital Finance Award - Excellence

Best Risk Management Award - Excellence

Best Project Finance Award – Excellence

- **Taiwan Institute for Sustainable Energy, Taiwan Corporate Sustainability Awards**

Social Inclusion Award (Light Up a Life)

Growth through Innovation Award (CTBC Brain)

- **Ministry of Economic Affairs' Small and Medium Enterprise Credit Guarantee Fund of Taiwan, Managers and Banks Outstanding in Implementing Guaranteed Financing**

Credit Guarantee Gold Award

Batch Credit Guarantee Excellent Award

100 Billion Guarantee Project Certificate of Appreciation

Government Policy Promotion Award

Two Credit Guarantee Gold Awards

- **Overseas Credit Guarantee Fund, Excellent Financial Institutions**

Total Guarantee Finance Amount Excellent Award

Excellent Performance in Guarantee Cases and Finance Amount by Branches

- **Taiwan Futures Exchange, Futures Diamond Awards**
 - Futures Industry - Futures Proprietary Merchants Transaction Volume Growth Diamond Award - No. 1
 - Banking Industry - Banking Industry Transaction Volume Diamond Award - No. 1
 - Market Maker-Market Making Performance Diamond Award - No. 2
- **Wealth Magazine, Wealth Management Survey**
 - Best Domestic Wealth Management
 - Best Domestic Financial Advisory Team
 - Best Domestic Digital Finance
 - Best Creative Marketing Audio/Video
- **Wealth Magazine, Taiwan Financial Awards**
 - Best Domestic Bank Image Gold Award
 - Best Banking Service Gold Award
 - Best Digital Banking Gold Award
 - Best Fintech Banking Excellence Award
- **Business Next Magazine, Business Innovation Awards**
 - Best Technology Innovation Gold Award
 - Best Technology Innovation Silver Award
 - Best Product Innovation Bronze Award
 - Best Management Innovation Bronze Award
- **Business Today, Wealth Management Banking Awards**
 - Best Wealth Management Bank - No. 1
 - Best Financial Advisory Team - No. 1
 - Best Robo-Advisor - No. 1
 - Best Product - No. 2
 - Best Wealth Appreciation - No. 2
 - Best Digital Experience - No. 3
- **Ministry of Education, Reading Rock Awards**
 - Reading Promotion Activist Group
- **Sports Administration, Ministry of Education, Sports Activist Awards**
 - Sponsorship Category - Gold Award
 - Sponsorship Category - Long-Term Sponsorship Award
 - Promotion Category - Bronze Award
- **Ministry of Culture, Public Arts Awards**
 - Civil-Run Public Arts Award

- **Department of Social Welfare, Taipei City Government, Excellent Volunteer Team Awards**

Gold Diamond Award

International awards

- **Asiamoney**

Best Domestic Bank in Taiwan

Best Private Bank in Taiwan

Best for HNW in Taiwan

Best Corporate & Investment Bank in Taiwan

Women employees as percentage of total staff in Taiwan - No. 2

Best Service in Taiwan among domestic banks in Taiwan - No. 2

Market Leaders in Taiwan among domestic banks in Taiwan - No. 1

- **Asian Banking & Finance**

Taiwan Domestic Trade Finance Bank of the Year

Mergers and Acquisitions Deal of the Year, Taiwan

Project Infrastructure Finance Deal of the Year, Taiwan

- **Asia Risk**

House of the Year, Taiwan

- **Corporate Treasurer**

Best Trade and Supply Chain House in Taiwan

- **Campaign**

PR Awards Asia 2020, Sports category - Silver Award

- **Euromoney**

Best Bank in Taiwan

Private Banking Services Overall, Taiwan

Net-worth-specific Services - High Net Worth Clients, Taiwan

Net-worth-specific Services - Ultra High Net Worth Clients, Taiwan

Net-worth-specific Services - Mega High Net Worth Clients, Taiwan

Net-worth-specific Services - Super Affluent Clients, Taiwan

ESG/Impact Investing

Capital Markets and Advisory, Taiwan

Family Office Services, Taiwan

International Clients, Taiwan

Investment Management, Taiwan

Next Generation, Taiwan

Philanthropic Advice, Taiwan

Research and Asset Allocation Advice, Taiwan

Serving Business Owners, Taiwan

Technology - Data Management and Security in Private Banking and Wealth Management

Technology - Innovative or Emerging Technology Adoption

- **Energy Risk**

Deal of the year, Asia-Pacific

- **FinanceAsia**

Project Finance Deal of the Year, Asia

Best Bank in Taiwan

Best Private Bank in Taiwan

Best Managed Company in Taiwan

Most Committed to Social Causes in Taiwan

Global Business Outlook

Best Investment Bank, Taiwan

Most Innovative Digital Bank, Taiwan

- **Global Finance**

Best in Social Media Marketing and Services in Asia-Pacific

Best Integrated Corporate Banking Site in Asia-Pacific

Best Treasury & Cash Management Bank in Taiwan

Best Investment Bank in Taiwan

- **International Data Corporation**

One of 20 Best Banks in Asia Pacific

Best Bank in Taiwan

Omni-Experience Innovator in Taiwan

- **Retail Banker International**

Dynamic Third-Party Collaboration, Asia

Highly Commended: Best Mortgage Offering, Asia

Highly Commended: Excellence in Loan Origination, Asia

Highly Commended: Excellence in Mass Affluent Banking, Asia

Highly Commended: Best Mobile Wallet Initiative, Asia

- **The Banker**

Data category for Innovation in Digital Banking, Global

Top 1000 World Banks - No. 155

- **The Asian Banker**

Best Social Media Campaign in Asia Pacific

Best Home Loan Product in Asia Pacific
Anti-Money Laundering Technology Implementation of the Year in Asia Pacific
Most Recommended Retail Banks in Asia Pacific - No. 8
Main Retail Banks in Asia Pacific - No. 18
Most Helpful Banks in Asia Pacific During Covid-19 - No. 6
Best Retail Bank in Taiwan
Custodian Bank of the Year in Taiwan
Best CEO in Taiwan - Chairman, Morris Li
Best Managed Bank in Taiwan
Best FX Bank in Taiwan
Best Trade Finance Bank in Taiwan

● **The Asset**

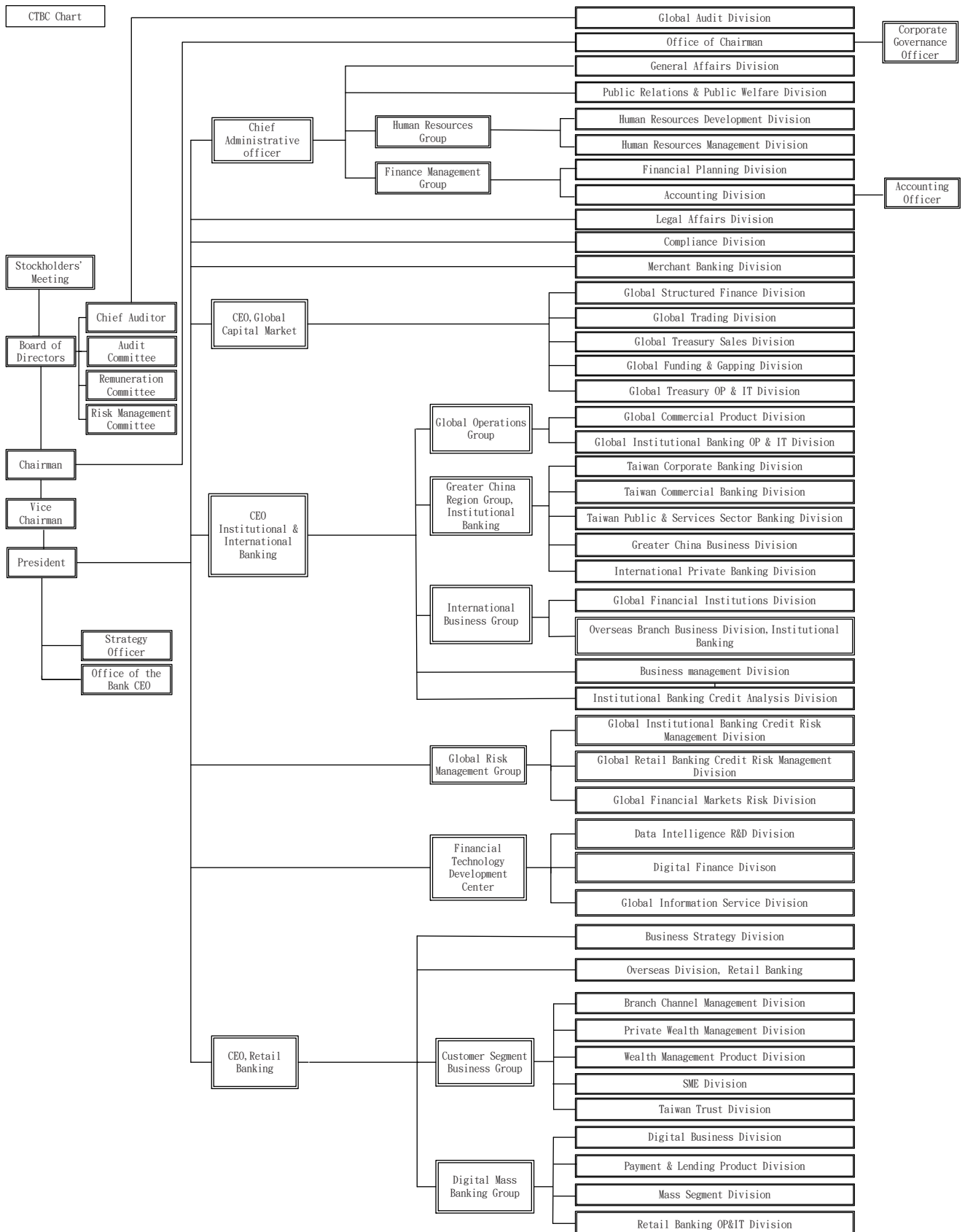
Renewable Energy Deal of the Year, Asia-Pacific
Best Bank, Taiwan
Best Private Bank, Taiwan
Digital Bank of the Year, Taiwan
Best Retail ATM Experience, Taiwan
Best Retail Online Banking Experience, Taiwan
Best Retail Social Media Banking Experience, Taiwan
Best API Project, Taiwan
Best Cloud Based Project, Taiwan
Best Digital Collaboration, Taiwan
Best Digital Financial Inclusion Project, Taiwan
Best Digital Upgrade, Taiwan
Best Service Provider - Transaction Bank, Taiwan
Best Service Provider - Trade Finance, Taiwan
Best Service Provider - Supply Chain, Taiwan
Best Domestic Custodian, Taiwan
Best Bank for Investment Solutions, Taiwan
Best Bank for Investment Solutions - Rates, Taiwan
Best Bank for Investment Solutions - Commodities, Taiwan
Best Structured Investment and Financing Solutions, Taiwan
Best Loan Adviser, Taiwan
Renewable Energy Deal of the Year -Wind, Taiwan

● **World Branding Forum**

Brand of the Year, Taiwan

2.2. Our organization

2.2.1. Organization chart



2.2.2. Directors and supervisors

Title	Name	Date of assignment	Office term	Significant experience	Education
Chairman	Ming-Shieh Li	Jun. 14, 2019	3 years	Chairman, CTBC Capital Corp. Chairman, CTBC Bank Corp. (USA) Director, LH Financial Group Public Company Limited Director, Land and Houses Bank Public Company Limited Director, Financial Information Service Co., Ltd. Director, CTBC Business School Vice Chairman, CTBC Bank Co., Ltd Executive Director, President, China Guangfa Bank Co., Ltd. Chairman, Citibank Taiwan Ltd. SEVP, CTBC Bank Co., Ltd	B.A., Department of Economics, National Taiwan University
Vice Chairman	Ting-Jeng Chan	Sep. 27, 2019	3 years	Deputy Director General, Department of Commerce, Ministry of Economic Affairs Director General, Department of Legal Affairs, Financial Supervisory Commission Chief Secretary, Financial Supervisory Commission Managing Director, Agricultural Credit Guarantee Fund Director General, the Bureau of Agricultural Finance, Council of Agriculture, Executive Yuan Director, Taiwan Academy of Banking and Finance Director, Taiwan Cooperative Bank Director, Taiwan Cooperative Financial Holding Co., Ltd. Director General, the Banking Bureau of the Financial Supervisory Commission President and Director, Taiwan Financial Holdings Co., Ltd. Director, Bank of Taiwan Co., Ltd. Director, Bank Taiwan Life Insurance Co., Ltd.	S.J.D., National Chengchi University LL.M., Northwestern University Law School

Title	Name	Date of assignment	Office term	Significant experience	Education
				Member, Research and Development Committee, Taipei Foreign Exchange Market Development Foundation	
Director	Wen-Long Yen	Jun. 14, 2019	3 years	Chairman, CTBC Financial Holding Co., Ltd. Chairman, Kainan Vocational High School Director, Ho-Wei Investment Co., Ltd. Director, Feng Luh Investment Co., Ltd. Director, United Real Estate Management Co., Ltd. Director, Sung Hung Investment Co., Ltd. Director, Wei Hung Investment Co., Ltd. Director, Jeffrey Koo Cultural and Educational Foundation Chairman, Kainan University Director, Wei Guo Real Estate Development Co., Ltd. Director, Wei Fu Investment Co., Ltd. Director, Long-Rih Real Estate Development Co., Ltd. Director, K & Y Investment Co., Ltd. Director, United Asset Management Co., Ltd. Supervisor, United Real Estate Development Co., Ltd.	B.A. in Economic, Dept. of Economics, Soochow University
Director	Thomas K.S. Chen	Jun. 14, 2019	3 years	Director, CTBC Financial Holding Co., Ltd. Chairman, CTBC Investments Co., Ltd. Chairman, CTBC International Co., Ltd. Chairman, CTBC Financial Leasing Co., Ltd. Director, Ho-Yeh Investment Co., Ltd. Director, Taipei Financial Center Corp. Director, Changhua County Lukang Folk Arts Museum Director, Jeffrey Koo Cultural and Educational Foundation Director, Taipei International Community Cultural Foundation	Bachelors, Department of Public Finance and Taxation, National Chengchi University

Title	Name	Date of assignment	Office term	Significant experience	Education
				Vice Chairman, CTBC Charity Foundation Director, CTBC Anti-Drug Educational Foundation Vice Chairman, CTBC Bank Co., Ltd. Chairman, CTBC Asset Management Co., Ltd. Chairman, CTBC Bank Corp. (USA) General Secretary, CTBC Financial Holding Co., Ltd. Director, National Credit Card Center of the Republic of China	
Director	Su-Kuo Huang	Jun. 14, 2019	3 years	Chairman, Taiwan Life Insurance Co., Ltd. Director, CTBC Securities Co., Ltd. Chairman, CTBC Securities Co., Ltd. Director, The Tokyo Star Bank, Ltd.	MBA of Commerce, University of Japan
Director	Mao-Lin Shih	Jun. 14, 2019	3 years	Director, Taiwan Life Insurance Co., Ltd. Chair Professor, Department of Financial and Economic Law, Asia University Independent Director, SuperAlloy Industrial Co., Ltd. Independent Director, Century Wind Power Co., Ltd. Honorary Chairman, Legal Risk Management Society of Taiwan Minister of Justice, Executive Yuan Deputy Minister of Justice, Executive Yuan Chief Prosecutor, Procuratorate, Taipei District Court Chief Prosecutor, Procuratorate, Kaohsiung District Court Chief Prosecutor, Procuratorate, Taichung District Court Chief Prosecutor, Procuratorate, Taoyuan District Court Director-General, Ministry of Justice (84.5~86.8) Woosuk University / Korea, School of Law, Honorary Doctorate, 2002	National Taiwan University/ Taiwan, School of Law, B.A., 1972

Title	Name	Date of assignment	Office term	Significant experience	Education
Director	Yen-Pao Chen	Jun. 14, 2019	3 years	Director, CTBC Securities Co., Ltd. Director, CTBC Securities Venture Capital Co., Ltd. Director, Taiwan Lottery Co., Ltd. Member, Review Committee, Taipei Exchange Director, CTBC Anti-Drug Educational Foundation Professor, Department of Accounting, Soochow University Director, CTBC Financial Holding Co., Ltd. Director, CTBC Business School CEO, Center for International Finance Research, Soochow University Member, Sports Administration, Ministry of Education Director, The Center for Economic Forecasting Advisor, The Center for Economic Forecasting	Ph.D. in Finance, George Washington University, USA
Director	Chun-Te Chiang	Jun. 14, 2019	3 years	Director, Taiwan Lottery Co., Ltd. Director, Long Chen Paper Co., Ltd. Director, ISTRACORP. Executive Director, Taiwan-Japan Association For Business Communication Independent Director, Good Friend International Holdings Inc. Director, Abico Capital Management Co., Ltd. Vice Chairman, Ability Venture Management Co., Ltd. Director, Ability I Venture Capital Corporation Director, Importers and Exporters Association Director, ROC-USA Business Council General Manager, Taigene Industries (PTY) LTD	Bachelor of Commerce, University of the Witwatersrand, Johannesburg, South Africa

Title	Name	Date of assignment	Office term	Significant experience	Education
				Director, Chinese International Economic Cooperation Association (CIECA) Supervisor, Criminal Investigation and Prevention Association, R.O.C. System Analyst, Barclays Bank, South Africa	
Independent Director	Shih-Chieh Chang	Jan. 1, 2020	3 years	Professor, Department of Risk Management and Insurance, National Chengchi University Advisory Committee Member, Risk Management Committee, Chunghwa Post Co., Ltd. Director, Risk Management Society of Taiwan Consultant, Public Service Pension Fund Supervisory Board Member, Futures Trust Fund Risk Management Committee, Chinese National Futures Association Independent Director, CTBC Financial Holding Co., Ltd. Independent Director, CTBC Bank Co., Ltd. Independent Director, Taiwan Life Insurance Co., Ltd. Independent Director, TLG Insurance Co., Ltd. Director, CTBC Business School Independent Director, CTBC Life Insurance Co., Ltd. Member, Financial Supervisory Commission Non-member director, Securities Investment Trust & Consulting Association of the R.O.C. Member, Financial Ombudsman Institution Director, Taiwan Insurance Institute Director, Taiwan Insurance Guaranty Fund Chairman, Insurance Anti-Fraud Institute	Ph.D., Department of Statistics, University of Wisconsin-Madison, USA

Title	Name	Date of assignment	Office term	Significant experience	Education
				<p>Member, Labor Funds Supervisory Committee, Ministry of Labor</p> <p>Chairman, Pan-Asia Risk and Insurance Management Association</p> <p>CEO, EMBA, College of Commerce, National Chengchi University</p> <p>Director, Department of Risk Management and Insurance, National Chengchi University</p> <p>Consultant for Financial White Papers, Taiwan Financial Services Roundtable Co., Ltd.</p>	
Independent Director	Cheung Chun Lau	Jun. 14, 2019	3 years	<p>Independent Non-executive Director, Hong Leong Insurance (Asia) Limited</p> <p>Managing Director, The Bank of Nova Scotia</p> <p>Senior Vice President, ABN Amro Bank N.V.</p> <p>Director, Citigroup Global Markets Asia Limited</p> <p>Independent Director, CTBC Financial Holding Co., Ltd.</p> <p>Executive Director, UBS AG</p> <p>Vice President, Bankers Trust Company</p>	MBA, The University of Michigan, Ann Arbor
Independent Director	Sheng-Yung Yang	Jun. 14, 2019	3 years	<p>Distinguished Professor of Finance, National Chung Hsing University</p> <p>Independent Director, Nova Technology Corp.</p> <p>Independent Director, JMicon Technology Corp.</p> <p>Supervisor, Financial Engineering Association of Taiwan</p> <p>Director, Chinese Robo-Advisor Association</p> <p>Strategic Mentor, New Generation College, National Association of Small & Medium Enterprises</p>	Ph.D. in Finance, Drexel University, USA

Title	Name	Date of assignment	Office term	Significant experience	Education
				Independent Director, CTBC Financial Holding Co., Ltd. Director, CTBC Business School Executive Supervisor, Taiwan Association of Board Governance Head of Finance Department, National Chung Hsing University Adjunct Professor of International Business, National Taiwan University Dean of College of Management, Asia University Vice President for International Affairs & Dean of International College, Providence University Secretary-General, Financial Engineering Association of Taiwan CEO, EMBA Program Alliance of Taiwan Member of Investment Committee, National Development Fund Member of Operating Fund Committee, Bureau of Science Park Lecturer, Training Institute, Ministry of Finance Independent Director, Grand Bills Finance Corp.	

Note1: The Bank is a wholly owned subsidiary of CTBC Holding. All directors of the Bank are appointed by the parent company.

Note2: The term of office for the directors of the Bank's 17th Board of Directors is from June 14, 2019, to June 13, 2022. The Bank established an Audit Committee on June 30, 2009, to assume the responsibility of supervisors.

2.2.3. Significant shareholders

April 13, 2021

Institutional shareholder	Largest shareholders
CTBC Financial Holding Co., Ltd.	<ol style="list-style-type: none"> 1. Fubon Life Insurance Co., Ltd. (3.70%) 2. Yi Kao Investment Co., Ltd. (2.40%) 3. Labor Pension Fund(2.15%) 4. CTBC Bank Trust Account for CTBC Financial Holding Employee Welfare Savings Committee (1.87%) 5. China Life Insurance Co., Ltd. (1.81%) 6. Hejia Investment Limited (1.70%) 7. Nan Shan Life Insurance Co., Ltd. (1.59%) 8. CTBC Bank Trust Account for CTBC Financial Holding and the Subsidiaries Employee Stock Ownership Trust (1.53%) 9. Cathay Life Insurance Co., Ltd. (1.52%) 10. Bank of Taiwan Co., Ltd. (1.52%)

2.2.4. Major managers

Title	Name	Education	Significant experience
President	James Chen	MBA, The City University of New York, USA	Director, CTBC Bank Co., Ltd.
Senior Executive Vice President	Larry Hsu	Bachelor of Business Administration, National Taiwan University	EVP, CTBC Bank Co., Ltd.
Senior Executive Vice President	Roger Kao	Master of Science in Broadcast Journalism, Boston University, USA	EVP, CTBC Bank Co., Ltd.
Executive Vice President	Amy Yang	EMBA, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Frank Shih	MBA, University of Texas at Austin, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Tony Yang	MIBA, United States International University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Mingjohn Lee	MBA, New York University, USA	SVP, CTBC Bank Co., Ltd.

Title	Name	Education	Significant experience
Executive Vice President	Amy HC Lin	Bachelor of Banking, National Chengchi University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Eric Hsin	Executive MS in Finance, The City University of New York, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Alex Chen	Bachelor of Economics, Chinese Culture University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	C.C. Huang	MBA, Indiana University at Bloomington, USA	EVP, ABN AMRO Bank
Executive Vice President	Matthew Liaw	MBA, University of Wisconsin at Madison, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Jack CP Wang	MBA, The University of Western Ontario, Canada	VP, Citibank
Executive Vice President	Noor Menai	MBA, University of Rochester, USA	CEO, Charles Schwab Bank
Executive Vice President	Derek Lo	MBA, Madonna University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Jason Chen	Bachelor of Business Administration, Feng Chia University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Friedman Wang	MIBA, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Retinna Sung	Bachelor of Law, National Chung Hsing University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Anderson Chen	Bachelor of Business Administration, Soochow University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	William Chu	Bachelor of Marine Transportation, National Chiao Tung University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Ya-Ling Chiu	MBA, Minnesota-Twin Cities University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Evan Chang	Bachelor of Accounting, Tunghai University	SVP, CTBC Bank Co., Ltd.

Title	Name	Education	Significant experience
Executive Vice President	Li Juan	MBA, Syracuse University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Jerry Shaw	Bachelor of Business Administration, Tamkang University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Boshan Hsu	MBA, Indiana University Bloomington, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Max Lin	MBA, University of Illinois at Urbana-Champaign, USA	Director, Deutsche Bank
Executive Vice President	Peter Hsiao	MBA, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Alex Lu	Master of Laws, Harvard University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Weitzu Chao	Master of Statistics, National Chengchi University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Sean Tang	Master of Laws, National Chengchi University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Wayne Hsu	MBA, The University of Michigan, USA	Managing Director, Citibank Taiwan
Executive Vice President	David Swei	MBA, University of Texas at Dallas, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Fred Hsu	MBA, Tatung University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Kevin Huang	MBA, Ohio State University, USA	SVP, Citibank Taiwan
Executive Vice President	Titan Chia	International MBA, National Chengchi University	President of Global Business Services, IBM Taiwan
Executive Vice President	Peter Wei	MBA, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Senior Vice President	Parker Hwang	MBA, New York University, USA	VP, CTBC Bank Co., Ltd.
Senior Vice President	Sting Yang	Bachelor of Accounting, Fu Jen Catholic University	VP, CTBC Bank Co., Ltd.

Title	Name	Education	Significant experience
Senior Vice President	Frank Hsu	Master of International Business, National Chengchi University	VP, CTBC Bank Co., Ltd.
Senior Vice President	John Yang	MBA, University of Texas at Arlington, USA	VP, CTBC Bank Co., Ltd.
Senior Vice President	Morris Kao	Bachelor of Accounting, Fu Jen Catholic University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Vivian Ho	EMBA, National Sun Yat-sen University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Sam Lin	EMBA, National Taiwan University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Steve Peng	Bachelor of Cooperative Economics, Feng Chia University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Pauline Kao	MBA, University of Pennsylvania, USA	Senior compliance manager, American Express Co.
Senior Vice President	Charleen Sung	MBA, New York University, USA	VP, CTBC Bank Co., Ltd.
Senior Vice President	Austin Chiang	MBA, National Taiwan University	Principal, Boston Consulting Group
Senior Vice President	Chingyi Wu	Master of Commerce, Meiji University, Japan	SVP, Taishin International Bank Co., Ltd.
Senior Vice President	Tony Huang	Bachelor of Banking, National Chengchi University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Morris Wu	MBA, Tatung University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Sophia Wang	Accounting and Statistics, Takming Junior College of Commerce	VP, CTBC Bank Co., Ltd.
Senior Vice President	Tina Soong	Master of Accounting, University of Florida, USA	VP, CTBC Bank Co., Ltd.
Senior Vice President	Jeffrey Hsieh	Master of Agricultural Economics, National Taiwan University	VP, CTBC Bank Co., Ltd.

Title	Name	Education	Significant experience
Senior Vice President	Kelvin Lam	Bachelor of Accounting, Hong Kong Polytechnic University, Hong Kong	Chief Auditor, DBS Bank
Senior Vice President	Joe Chen	Master of Computational Finance, Carnegie Mellon University, USA	Managing Director, Standard Chartered Taiwan
Senior Vice President	Darren Huang	Bachelor of Statistics, National Chung Hsing University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Elaine Su	Master of Accounting, National Taiwan University	VP, CTBC Bank Co., Ltd.

3. Business overview

3.1. Business performance

3.1.1. Scope of business

1) Institutional banking, capital markets, and international business

(1) Commercial banking

We provide customers with comprehensive and specialized financial services, including loans, trade finance, cash management, corporate trusts, and proxy services.

(2) International business

We provide cross-border financial services by leveraging our global network, with a focus on customers in Greater China, Southeast Asia, North America, and Japan.

(3) Capital markets

We provide tailored solutions to meet clients' financing needs. These solutions include syndicated lending, structured finance, and financial advisory, and fixed-income securities underwriting services. In addition to managing our own market risk exposure and liquidity position, we offer a wide range of services to meet our institutional clients' hedging and financial needs. These services include foreign exchange, derivative, and structured investment products.

2) Retail banking

(1) Wealth management

We provide target customer groups with financial planning, asset allocation planning, and advisory services as well as assistance in the acquisition of a variety of financial products.

(2) Loan services

We provide small and medium-sized enterprises as well as individuals with diverse loan services including home mortgages, refinancing, installment loans, policy-based loans, financial planning mortgages, unsecured term loans, and revolving loans.

(3) Payment services

We provide payment solution services, such as card issuing and merchant acquiring services, for credit as well as debit cards. CTBC Bank also provides digital and mobile payment solutions, including digital wallets and mechanisms for third-party payments, bill payments, and cross-border transactions.

Revenue breakdown (Note)

Unit: NT\$ million

Revenue source	Amount	Percentage
Institutional banking, capital markets, and international business	44,632	45%
Retail banking	50,393	51%
Other	3,893	4%
Total	98,918	100%

Note: On a consolidated basis

3.1.2. Business discussion

1) Institutional banking, capital markets, and international business

CTBC Bank's institutional banking and capital market business continues to lead the sector in Taiwan. Amid financial liberalization and globalization, we have maintained expansion in Taiwan by optimizing our core business and growing our emerging businesses. Furthermore, we have been leveraging our global networks to accelerate the growth of international business by expanding the scale of overseas markets and connecting cross-border opportunities to boost synergy.

We keep our thumb on the market pulse as we lead the financial industry in creative, specialized financial products and have become an indispensable partner to our customers. Each of our main products has been honored with international awards such as Renewable Energy Deal of the Year in Asia Pacific, Best Treasury & Cash Management Bank in Taiwan, Best Trade Finance Bank in Taiwan, Best Foreign Exchange Bank in Taiwan, Custodian Bank of the Year in Taiwan, and Best Loan Adviser in Taiwan. The management direction and achievements of our primary products are as follows:

(1) Transaction banking

In 2020, despite both cash management and trade finance encountering severe challenges and most of our target markets facing geopolitical uncertainties and the rapid escalation of trade tensions, the market share of CTBC Bank deposit continued to grow. Specifically, we maintained our leading market position, including in foreign currency deposits, and enlarged our share of competitive overseas markets across all businesses. In addition, we retained our leading position in the trade and factoring market and remained among the top three banks in terms of revenue—a position we have held for several years. However, we do expect some turbulence due to the recent market headwinds. Hence, we will prioritize our efforts

and leverage our extensive networks in markets like Asia and the U.S. Also notable is how our digital strategy has transformed us from a traditional transaction bank into one that supports its customers' expansion throughout Asia Pacific. Whether for corporates or individual customers like controllers, we are continuing to improve our customers' banking experience through innovative technologies. This includes providing a comprehensive range of channels to meet customers' needs, such as by increasing the use of mobile devices and application-to-application banking services. Indeed, we have closed a record number of deals because of these digital capabilities and the solutions that we provide.

For instance, we were the first bank in Taiwan to conduct a cross-border trade transaction using a blockchain-based end-to-end solution. The blockchain platform solution leverages the joint efforts of both our digital and trade teams and, more importantly, we are continuing to work with our customers to create more efficient ecosystems and trade processes. We believe our digital transformation will reposition us as a new type of transaction bank that stands out from the rest, and that we can achieve this by revamping our offerings and solutions in the changing digital landscape in order to identify new business opportunities.

(2) Custody and corporate trust business

Our custody and corporate trust business, which includes transfer agent, trust, and custody business, showed solid growth in 2020. Notably, CTBC Bank's assets under custody reached NT\$3.32 trillion (US\$115 billion) at the end of 2020. The corporate trust business revenue from all segments in 2020 was NT\$1.22 billion. In terms of asset size, we retained our No. 1 position in the transfer agent and employee benefit business.

(3) Syndicated loans

CTBC Bank is a leading arranger of loan syndication in Asia, with an extensive presence in the region as well as a strong commitment to its home market. The Bank has strong origination and structuring capabilities providing innovative solutions, and has extensive distribution channels. We specialize in financing solutions requiring higher levels of sectorial knowledge, such as private equity-sponsored leveraged financing, merger and acquisition financing, and aviation/shipping/real estate/project financing. The Bank has developed extensive networking and firm partnerships with key players in the region.

CTBC Bank is also actively involved in the renewable energy market, including solar and wind energy. We have helped arrange a number of large project financing cases and have been mandated as the financial adviser for several international and local developers. In addition, we offer local insights and tailored solutions including

capital market and debt structuring, agency services, and hedging, and are well-positioned to be the leading bank in these fields.

In addition to being named the Best Domestic Bank in Taiwan and Best Corporate and Investment Bank in Taiwan by *Asiamoney*, we have lead-arranged several signature deals in the region and won the Deal of the Year in Asia Pacific award from *Energy Risk* and the Green Project of the Year in Asia Pacific and Best Loan Adviser in Taiwan awards from *The Asset*.

(4) Fixed income underwriting

As one of the leading bond underwriters in Taiwan, CTBC Bank has participated in numerous landmark transactions and debut transactions of new kinds since the inception of the country's international bond market. In 2020, we had another record year in fixed income underwriting, with a number of successful issuances for regional deals, particularly in ESG bonds in Taiwan, of which we are the top underwriter. Also last year, we remained in the top spot among our Taiwanese peers in Asian G3 currency bond underwriting. With our strengthened debt capital market franchise together with our loan syndication business, we are well positioned to serve our clients across Asia with comprehensive corporate finance solutions.

(5) Treasury and derivatives

Our strong local presence in Taiwan gives us unique advantages. Through collaboration between different lines of business and overseas entities, we are able to reach our clients and offer them comprehensive cross-border solutions. As such, we retained our leading position in the Taiwan derivatives market in 2020, supported by our strong innovation capabilities and market franchise. CTBC Bank also received international awards in this area last year, such as Best Bank for Investment Solutions - Rates and Commodities in Taiwan by *The Asset*.

2) Retail banking

CTBC Bank remains a pioneer in retail banking service innovation. In addition to enjoying a significant market share, we received 76 international and domestic awards in 2020, including being named the Best Private Bank in Taiwan in the Private Banking and Wealth Management Survey by *Euromoney* for the 16th consecutive year and the Best Retail Bank in Taiwan by *The Asian Banker* for the 14th consecutive year.

With the Bank's competitive advantages in branding and comprehensive services, our number of retail customers as well as assets under management has shown strong growth over the past few years, with compound annual growth of 4% and 10%, respectively, from 2018.

(1) Wealth management

With its open platform strategy, CTBC Bank is able to provide comprehensive and innovative wealth management services and products to meet its diverse customer needs. Our diversified wealth management product lines have contributed to the Bank's leading position in Taiwan's wealth management market.

(2) Loan services

CTBC Bank has long been dedicated to providing complete financing solutions with multi-channel customer services, and also continues to maintain superior asset quality and profitability. As a result, we have enjoyed a leadership position in the personal loan and non-government-affiliated mortgage markets. In order to further optimize the customer experience, the Bank has also established an award-winning digital lending platform that radically simplifies the loan application process and reduces turnaround time. As a result of such constant and successful digital transformation, when supporting the government-led financial relief program for individuals affected by the pandemic in 2020, we were able to process more than 280,000 applications within six weeks. Not only did this represent the number we would typically process in two years, but it constituted more than 25% of all relief applications processed by every bank in Taiwan—far more than any other bank and enabling us to provide real support to the community.

(3) Payment services

As part of its efforts to provide customers with a convenient payment experience, CTBC Bank has continued working in partnership with various retailers and mobile payment platforms. Our customers are now able to utilize payment tools such as cards and account linking for a seamless payment experience both online and offline.

(4) Digital banking

Our internet and mobile banking services continue to be the most popular in the country thanks to the continual improvement of their platform design and addition of innovative features, earning numerous awards in the process. The number of customers using our digital banking services now exceeds 5 million. Our continual efforts building customer experiences around the customer journey and optimizing communications and interactions are driven by our commitment to providing retail banking services whenever and wherever customers need them.

(5) ATM services

CTBC Bank has the largest ATM network in Taiwan. With nearly 6,500 machines nationwide, we top the list in terms of interbank withdrawal transactions, accounting for approximately 30% of market share. We are also constantly innovating ATM functionality, such as with the addition of biometric authentication.

3.2. Employees

As of	Dec. 31, 2020		Dec. 31, 2019	
Number of employees	12,143		12,026	
Average age (years)	38.7		38.4	
Average tenure at CTBC (years)	10.0		9.7	
Education	Employees	Percentage	Employees	Percentage
Graduate school or higher	2,948	24.3%	2,801	23.3%
University/college	8,542	70.4%	8,504	70.7%
Senior high school	625	5.1%	685	5.7%
Below senior high school	28	0.2%	36	0.3%

3.3. Social responsibility

1) CSR implementation

As the largest private and most international bank in Taiwan and one of the leading financial institutions in Asia, CTBC Bank has service locations across the globe, including 152 branches in Taiwan and 116 subsidiaries spanning 14 overseas countries and regions. CTBC Bank is actively responding to the needs of major stakeholders—its employees, suppliers, customers, and community—and working toward the U.N. Sustainable Development Goals (SDGs).

(1) CTBC Bank has been expanding its efforts in public welfare for many years. These efforts in turn spread across the community and country, like ripples in a pond, as the Bank continues to focus on five categories of charitable endeavors: charity, anti-drug awareness, sports, education, and arts and culture.

(a) Charity

The Light Up a Life charity fundraiser held by CTBC Bank was the starting point of CTBC Holding's involvement in community engagement—an involvement that has persisted and grown stronger in the intervening 36 years. As the longest-running charitable activity of any private enterprise in Taiwan, Light Up a Life has raised nearly NT\$2.2 billion in donations and helped more than 540,000 children by giving them a chance to escape poverty and realize their dreams.

CTBC Bank founded the CTBC Charity Foundation in 2004 to encourage its employees to engage in activities that promote public welfare. The Bank was also the first financial institution in Taiwan to offer charity leave. Through the CTBC Charity Foundation, after-school care, financial literacy, and English language volunteer teams are formed and trained to serve disadvantaged families and children across Taiwan.

Inspired by the microfinancing concept of Nobel Peace Prize winner Dr. Muhammad Yunus's Grameen Bank, the CTBC Charity Foundation introduced the first such initiative in Taiwan in 2011 with the CTBC Poverty Alleviation Program. It provides disadvantaged and marginalized families with the microloans and financial advice they need to meet their basic needs and beyond. Since its inception, the program has successfully funded the start-up businesses of 475 families and helped them escape poverty, with an accumulated amount of loans totaling NT\$160 million. The initiative, which has so far helped build 28 Taiwan Dream Project sites, works by marshaling central and local government resources and leveraging the efforts of volunteers and the general public to provide children with a warm and loving second home.

In terms of overseas aid, the CTBC Charity Foundation embraces the philosophy that poverty can be overcome through education. As such, in China in 2013, it launched the Caring for China's Next Generation on Campus program alongside the Caring for China's Next Generation Working Committee and the Social Welfare Foundation for China's Next Generation Fund. Priority has been given to underdeveloped, remote, and ethnic minority areas. Schools have been selected as educational demonstration sites in each area, with funds provided to purchase teaching equipment. The project has been a concrete demonstration of cross-strait charitable and public welfare cooperation over the past eight years. As of publication, 51 pilot program sites had been set up, and over 60,000 underprivileged students now have access to more learning resources as a result. Learning and living conditions have been greatly improved in general, earning plaudits on both sides of the strait.

(b) Anti-drug awareness

During events hosted by CTBC Holding as part of its long-term involvement with disadvantaged children and otherwise marginalized families, the blight of serious drug abuse continually reared its head. We saw first-hand the cause-and-effect relationships between drug abuse and other social issues, prompting us to integrate human and material resources from across the CTBC Holding group to establish the CTBC Anti-Drug Educational Foundation in 2015. It raises children's awareness of the dangers of drugs in an engaging manner that breaks free of conventional, low-impact methods. For instance, it utilizes interactive 3D and VR activities and a host of drug-detection tools as part of its touring exhibitions and workshops, which to date have reached more than 600,000 people all around Taiwan.

(c) Sports

Baseball is hailed as the national pastime of Taiwan, and long-term support is needed for it just as it is for education. CTBC Holding became the first enterprise to invest in all five levels of the sport, from little league to the majors, through sponsorship or hosting games to enhance the overall strength of the sport in Taiwan.

In 2014, CTBC Bank began sponsoring the CTBC Brothers Baseball Club. That same year, to support the game at the grassroots level, the CTBC Charity Foundation launched the CTBC Youth Baseball Project for the little and junior leagues, giving the opportunity to play the sport to children in rural areas who otherwise may not have been able to—despite them being among the country’s most passionate baseball fans. It has so far sponsored 26 little and junior leagues teams across Taiwan, providing resources without which the teams could not play. At the big league level, CTBC Bank began sponsoring the CTBC Black Panther Pennant (National High School Baseball Competition) in 2015. It also established a Taiwanese version of Japan’s famed Koshien Stadium in order to support and nurture talented high school players.

As part of its endeavor to maximize the impact of its social welfare projects, in 2018, CTBC Bank evaluated the social return on investment (SROI) of its sponsorship of the CTBC Brothers. The quantitative analysis, as certified by Social Value International, found that every NT\$1 invested produced NT\$17.59 in social value. This was not only the first SROI analysis ever conducted by Social Value International for a baseball team, but the return calculated was the highest it had ever certified in the field of sports.

CTBC Bank has also used the sport to promote literacy. Since 2016, it has cooperated with the CTBC Brothers to organize the Home Run Readers project, which offers baseball tickets to incentivize reading. For these efforts, the Bank was recognized by the Ministry of Education in 2020, becoming the first in the financial industry to win a Reading Rock Award since the prize was introduced 12 years ago.

Elsewhere in sports, CTBC Bank has been nurturing a new generation of women’s golfers, supporting eight professional players and three amateur juniors—efforts for which we have received the Bronze Award in the Sports Administration’s Sports Activist Awards. It also sponsors the CTBC Ladies Open, which attracted a crowd of more than 3,000 people as the first

professional golf game open to the public after the emergence of the Covid-19 pandemic. The event was not only used to pay tribute to the sacrifices of medical personnel but also to promote Taiwan's visibility.

(d) Education

We firmly believe that education provides people with opportunities to change their lives and is a priceless investment. Acting on these principles, in 2015, CTBC Holding integrated the group's resources and established CTBC Business School. The college, which helps both deserving and underprivileged students, offers grants and scholarships with diverse industry-academia cooperation to disadvantaged students who display outstanding academic performance. The Ministry of Education lauded CTBC Business School as a new model of corporate philanthropy in support for education. Since 2016, graduate schools of financial management, business and economic law, and finance technology have been established, with the hope of the college's student body becoming an important talent pool for Taiwan's finance industry.

(e) Arts and culture

CTBC Bank also has a proud history supporting Taiwan's cultural and creative field, including by founding the CTBC Foundation for Arts and Culture. In its early years, the foundation focused on operating the Novel Hall performance arts venue. In 2015, it shifted to a new operating model with more emphasis on engagement with the wider community. Through efforts such as the CTBC Arts Festival, Love & Arts for Dreams Initiatives, Master Class Series, and CTBC Arts Award, along with support for independent music, the foundation has established a platform that is helping all members of the public engage with the arts. Of these programs, the Love & Arts for Dreams Initiatives Project has been especially effective in promoting rural art education. Through it, we work with art instructors to go into rural areas to broaden local students' horizons, build their self-confidence, and encourage them to follow their dreams. The project was also the subject of the first ever SROI evaluation in the field of arts and culture in Taiwan, which found that every NT\$1 invested yielded a social return of NT\$4.18.

(2) Early deployment, active preventive measures

Right after the emergence of Covid-19 in 2020, CTBC Bank rapidly formed a pandemic response team to oversee pandemic countermeasures. In March 2020, we established split-office measures and implemented staggered working hours in CTBC Financial Park buildings to avoid crowds at peak hours, with approximately 20% of the workforce adjusting their schedules accordingly. In addition, to protect both our employees and customers, conference calls or virtual meetings replaced in-person internal meetings, reducing contact among employees from different floors,

and all employees were required to wear a mask while at work, with masks supplied to the front-line staff of all branches in a timely manner.

CTBC Bank supported the government's preventive measures through its core business by activating numerous relief mechanisms. These included reducing the interest rates for home loans, personal credit loans, and revolving credit cards of pandemic-affected individuals and enterprises by 0.5%, 0.75%, and 0.75%, respectively. In addition, in support of the government's worker and enterprise relief loan programs, CTBC Bank assisted the general public and businesses to obtain much-needed funds by offering prime rate and payment grace periods. Faced with surging applications, CTBC Bank immediately established a command center, activating an all-digital processing mechanism and utilizing a smart credit investigation engine and robotic process automation. This enabled it to process 280,000 labor relief loan applications in only six weeks—which would otherwise have taken up to two years to complete—at an average speed of 1.5 minutes per case. Of the applications received, it approved over 230,000, the most of any bank in Taiwan.

From February to May 2020, CTBC Bank volunteers assisted in mask distribution efforts at government-contracted pharmacies in Taipei and New Taipei and staffed the 1957 epidemic information hotline, helping callers file relief loans and with other matters. These nearly 200 volunteers contributed over 800 hours of their own time after work and on weekends and holidays.

(3) Environmental protection and energy management

CTBC Bank is located in the group's headquarters, CTBC Financial Park, which boasts 29,752 square meters of park area and 264,463 square meters of gross floor area. Incorporating various environmental protection and energy-saving techniques, the complex is the largest financial institution building in Taiwan to receive a Diamond-grade Green Building label under Taiwan's EEWH building certification system. At the end of 2019, CTBC Financial Park obtained LEED O+M v4.1 Platinum Certification and the LEED Dynamic Plaque, becoming Taiwan's first recipient of either recognition.

Given the tremendous global challenge of climate change and in line with its sustainable development policies, CTBC Bank has built upon its foundations in energy efficiency, carbon reduction, resource management, and green buildings to expand its sustainability efforts further to include green services, green sourcing, and green consumption. In response to extreme weather patterns, the headquarters' water facilities, fountains, and sprinkler equipment utilize rainwater reclamation and

water-recycling technologies, while solar panels are installed to supply electricity for the financial park's public spaces. Aligning with global conservation efforts, CTBC Bank has adopted carbon footprint reduction measures, such as the purchasing of products that meet strict standards in environmental protection, energy efficiency, water conservation, and green construction. As a result, it has received the Outstanding Contribution to Green Purchasing by a Private Enterprise Award from Taipei City Government's Department of Environmental Protection for 12 consecutive years.

Furthermore, the Bank is keenly aware of the need for proactive ecological preservation. It has planted 2,000 Thatch screwpine trees and Cuban bast trees at Zhongjiao Bay, in New Taipei City's Jinshan District, and in Yunlin County's Xiluo Township. In addition, in October 2020, the Bank encouraged its employees and their families and friends to plant trees to protect Taiwan's coastline from erosion by typhoons and waves.

CTBC Bank has also established an Environmental Sustainability Group, which holds regular management review meetings to follow through with the implementation of environment-related policies. In 2018, the Bank continued to grow the scope of its certification in the three major international certification standards of ISO 50001 (Energy Management), ISO 14001 (Environment Management System), and ISO 14064-1 (Greenhouse Gas Emissions Reporting). In 2019, this expanded to cover all of its branches across Taiwan. In the same year, except for passing ISO 14064-1 (Greenhouse Gas Emissions Reporting), all branches obtained dual certification in ISO 50001 (Energy Management) and ISO 14001 (Environment Management). The Bank's environmental measures have been honored with an Outstanding Energy Saving Performance Award from the Ministry of Economic Affairs and an R.O.C. Enterprise Environmental Protection Award from Taiwan's Environmental Protection Administration. In addition, CTBC Bank became the first financial institution in Taiwan to obtain renewable energy certification from the Ministry of Economic Affairs.

The Bank places great value on environmental protection and energy saving. In 2020, its efforts helped earn CTBC Holding a Clean Energy Ministerial Award of Excellence in Energy Management from the U.N. Industrial Development Organization, making it the world's first financial institution to receive this award.

(4) Talent cultivation and friendly working environment

CTBC Bank firmly believes that its workforce is its most valuable asset. As such, it has for years promoted a function-oriented talent strategy and has mapped out

various professional and management training courses. It also examines the performance and potential of personnel at all levels, thereby facilitating the planning of customized career development paths. The Bank precisely allocates resources to build a complete talent pool by providing employees with on-the-job training, project assignments, and rotations across different countries, businesses, and functions. Moreover, the Bank has cooperated with numerous leading international academic institutions to introduce top teachers and development resources to maintain its leading position in the industry in response to the rapidly changing external operating environment.

To ensure and protect employee human rights and gender equality, CTBC Bank adopts international human rights provisions in its Employee Code of Conduct and periodically conducts employee surveys to learn about its employees. The Bank also maintains grievance-reporting channels and keeps all cases confidential to protect the rights of complainants.

CTBC Bank also understands the importance of providing a comfortable and friendly working environment. In doing so, it focuses on three aspects in particular: risk-based thinking, preventive health care, and a culture of safety. From 2018 to 2020, it passed ISO 45001 Occupational Safety and Health Management System certification, strengthening its occupational safety management standards and overall performance. Moving forward, the Bank will expand its corporate influence to work with suppliers and related enterprises to form an ecosystem of safety and sustainability.

(5) Green business and responsible finance

In 2012, CTBC Holding became one of the first Taiwanese financial institutions to sign on to the CDP. CTBC Bank also signed the Equator Principles in 2019, becoming the 94th financial institution in the world to do so. It has also expanded the environmental and social risk evaluations in its credit investigation and credit extension procedures. As of the end of 2020, three project finance cases had adopted the Equator Principles. In addition to the aforementioned financial initiatives, CTBC Bank voluntarily adopted the U.N. Principles for Responsible Banking in 2019 and, to facilitate sustainable development in the global financial sector, in 2020 it established plans in three strategic directions, namely sustainable finance green energy financing goals, the control and management of credit extensions to highly sensitive industries, and human resources development in the digital era.

Also in 2020, CTBC Bank became the first institution in Taiwan to issue a sustainability bond, with an issuance amount of NT\$1 billion and assurance by a

third-party institution. The funds raised were mainly for renewable energy and energy technology, social economic development, and the protection of rights.

(6) Financial inclusion and digital development

CTBC Bank actively supports access to finance for all. Our Bank has 24-hour ATMs in nearly all of Taiwan's ubiquitous 7-Eleven convenience store locations. Its bank branches feature barrier-free office space and ATM services. Nationwide, it has more than 6,000 barrier-free ATMs plus 161 ATMs tailored for users with impaired vision, thus effectively providing people with disabilities convenient financial services. Meanwhile, its Home Bank app leads the industry in Taiwan with its use of responsive web design, which makes the app comfortably usable across all sizes and forms of mobile device. This ensures that all customers have access to the app's myriad financial services, regardless of their device.

In addition, one way the Bank meets the financial needs of SMEs is with an online financial service platform, which has resulted in 13% annual growth in SME loans over the past three years. The Bank also provides life-changing microfinancing abroad through its overseas branches and cooperation with microfinancing institutions in the U.S., the Philippines, Vietnam, Myanmar, Cambodia, and India.

In terms of digital financing, CTBC Bank is developing AI technology through its CTBC Brain center, which integrates "machine thinking", "machine vision", and "machine dialogue" to provide an optimal and consistent cross-channel experience as well as enhance internal operational efficiency in various business applications. Furthermore, blockchain technology has been applied in the digital content, international trade, and health care fields. CTBC Bank was also one of the first vendors to join FinTechSpace, a publicly funded Taipei-based incubator launched by the government as part of its efforts to encourage fintech innovation, with the Bank currently collaborating in two projects there: the Digital Sandbox and the Innovation Lab.

CTBC Holding views its brand value as its most important intangible asset. CTBC Bank ranked 155th in the British magazine The Banker's Top World 1000 Banks, leading all other Taiwanese banks for the fourth consecutive year. In the 2020 Best Taiwan Global Brands survey conducted jointly by the Ministry of Economic Affairs' Industrial Development Bureau and brand consultancy Interbrand, CTBC Holding was ranked as the most valuable brand in Taiwan's financial sector for the fifth consecutive time and ranked sixth among the top 25 international brands in Taiwan, with a brand value of US\$549 million, which squarely placed it as the most influential brand in Taiwan's financial sector.

Moving forward, CTBC Bank will continue to give ESG-related issues high priority in its decision-making and planning. It will further expand its capacity for sustainably minded corporate operations—and it will do so by upholding its “We are family” brand spirit, “protect and build” corporate mission, and “caring, professional, and trustworthy” brand values. It does this in order to create value for its customers, employees, shareholders, suppliers, and community, working to cement its status as the most trusted financial service institution in the minds of customers and shareholders alike.

2) Ethical Conduct

CTBC Bank does its best to fulfill the responsibility that comes with its corporate citizenship, and emphasizes ethical business operations. It has formulated a Code of Ethical Conduct, which includes a nine-part framework comprising the avoidance of conflicts of interest, improper personal gain, and unethical conduct; confidentiality obligations; fair trade; the protection and appropriate use of company assets; compliance with laws and regulations; the encouraging of the reporting of illegal or unethical activities; and disciplinary measures. It functions jointly with related policies such as the Code of Conduct, Corporate Governance Best Practice Principles, and Ethical Corporate Management Best Practice Principles. These rules require all directors, managers, and employees to self-regulate and directors and high-level management to issue ethical management compliance statements, as well as annual ethical management trainings be conducted to avoid any improper behavior that may harm the company’s reputation. The above regulations are published on the websites of CTBC Holding and CTBC Bank. Personnel who violate any of these regulations will face disciplinary action according to relevant company measures.

4. Dividend policy and earnings distribution

4.1. Dividend policy and execution status

4.1.1. Dividend policy:

As a subsidiary of CTBC Holding, and in order to satisfy the fund requirements of the parent company, if the Bank reaches a reasonable BIS ratio, cash dividends and bonuses for common shares shall be prioritized and maintained at a stable level every year.

The above policy, however, is to be observed only in principle. The Bank shall take business performance and budgeted capital requirements into consideration and make necessary adjustments to the actual distribution.

Regarding the distribution terms, time, and amount, if there are earnings in the financial statement, the Bank shall first set aside funds for taxes, to be adjusted according to the principles of financial accounting, and offset losses, if any. It shall then set aside 30% of the earnings as a legal reserve and subsequently, per applicable laws and regulations, appropriate or reverse a special reserve. The balance, together with the undistributed retained earnings of the previous year, shall be the distributable earnings. The Board of Directors shall present an earnings distribution proposal at a shareholders' meeting for approval. Prior to the legal reserve reaching the paid-in capital of the Bank, the distributed cash dividends shall not exceed 15% of the Bank's paid-in capital. Upon the Bank's accumulated legal reserve reaching the Bank's paid-in capital, or if the Bank meets the required finance and business operation standards as defined by the competent authority in Paragraph 2 of Article 50 of the Banking Act and has set aside legal reserve according to the Company Act, it shall not be limited by the legal reserve and the cash earning distribution ceiling.

4.1.2 The Board has approved the earnings appropriation proposal for 2020. It is proposed that a total of NT\$16,790,749 thousand from the retained earnings of the year be distributed in cash according to the record shown in the shareholder book on the distribution record date. The dividend is NT\$1.1348 per share in cash. In the event of a capital increase or decrease affecting the number of outstanding shares on the distribution record date, the Chairman shall be authorized to handle relevant matters.

4.2 Impact of proposed stock dividend on the Company's business performance and EPS:

No financial forecast was announced for the Bank in 2021; therefore, no such disclosure is applicable.

4.3 Information relating to the compensation of employees, directors, and supervisors

- 4.3.1 Proportion or range of employee, director, and supervisor compensation as set forth in the Bank's Articles of Incorporation: 0.05% of the current year's profit as employee compensation. However, the compensation of directors and supervisors is not mentioned in the Articles of Incorporation.
- 4.3.2 The basis for estimating employee, director, and supervisor 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: Employee compensation in 2020 is recognized as the current-period expenses based on the Bank's pre-tax income before the deduction of employee compensation at the end of the accounting period, multiplied by the percentage set by the Bank's Articles of Incorporation. Differences between the actual amount, as approved by the Board of Directors, and the original estimate will be accounted for as changes in accounting estimates and recognized as a profit or loss in the following year.
- 4.3.3 Distribution of compensation approved by the Board of Directors:
- 1) Employee compensation distributed in cash or stock: The cash compensation of employees was NT\$15,963 thousand.
 - 2) Discrepancy between the actual amount and the original estimates, and the reasons and handling thereof:
 - (1) Compensation discrepancies: The accrued expenses for employee compensation in 2020 were NT\$15,963 thousand. There is no discrepancy between the actual distribution amount and the accrued expenses for employee compensation.
 - (2) Reason and handling: Not applicable because there is no discrepancy between the actual amount and the original estimates.
 - 3) The percentage of employee compensation distributed in stock of the sum of after-tax net income stated in the parent company-only financial reports or individual financial reports for the current period and of total employee compensation: Not applicable because the Bank did not distribute any employee compensation in stock.
- 4.3.4 The actual distribution of employee, director, and supervisor compensation for 2019 (including the number of shares, monetary amount, and stock price of the shares distributed), and any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, and the reason and handling thereof:

	2019			
	Compensation distributed with Board approval	Recognized expenses	Difference	Reason and handling
Distribution status:				
A. Employee compensation distributed in cash	NT\$18,363 thousand	NT\$18,823 thousand	NT\$460 thousand	The difference occurred because of a change in accounting estimates and was recognized as a profit for 2020.
B. Employee compensation distributed in stock				
(1) shares,	-	-	-	
(2) amount, and	-	-	-	
(3) stock price	-	-	-	
C. Compensation to directors and supervisors	-	-	-	

5. Internal Control Statement

CTBC Bank Internal Control Statement

To: Financial Supervisory Commission,

On behalf of CTBC Bank Co., Ltd., we hereby certify that for the fiscal year of 2020, the Bank has duly complied with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries in establishing our internal control system, enforcing risk management, auditing the same by an independent audit unit, and reporting the results thereof to the Board of Directors and Audit Committee on a periodic basis.

For its concurrent securities business, the Bank has evaluated the effectiveness of the design and implementation of the relevant internal control system, in accordance with the evaluation requirements under the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets of the Financial Supervisory Commission's Securities and Futures Bureau.

For its concurrent insurance agent business, the Bank has evaluated the effectiveness of the design and implementation of the relevant internal control system, with the required evaluation components including the following at a minimum: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities, according to the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies. Based on the Bank's evaluation, we confirm the effectiveness of the design and implementation of the internal control system (including the soundness of the operations, reliability of the reports, and compliance with relevant laws and regulations) during the aforementioned period, which reasonably ensured the fulfillment of the above requirements.

Upon prudent evaluation, we, the undersigned, hereby certify that, with the exception of the items listed in the attachment, the Bank's internal control and compliance with relevant laws and regulations were effectively implemented in 2020. This statement shall form part of the Bank's annual report and prospectus to be disclosed to the public, and we are liable for false information or omissions in its material contents under Articles 20, 32, 171, and 174 of the Securities and Exchange Act and relevant articles under the Insurance Act.

This statement was approved by the Board meeting on 2021/ 2 / 26.

Sincerely yours,

Chairman



President



Chief Auditor



Chief Compliance Officer



Issues and corrective actions for CTBC Bank Co., Ltd. internal control system

(as of Dec. 31, 2020)

Issue for improvement	Corrective actions	Target completion date
<p>1. The 2020 FSC limited-scope examination of CTBC Bank's Overseas Branch and Subsidiary Management found that the Head Office shall strengthen its supervision of the New York Branch in reviewing the root causes and corrective actions of authority's examination findings.</p>	<p>(1) CTBC Bank's Head Office has established internal guidelines to stipulate the supervisory roles and responsibilities for overseas units and enhanced the monitoring of the root causes and corrective actions of the New York Branch's examination findings.</p> <p>(2) The New York Branch has updated relevant transaction-monitoring procedures for compliance. Moreover, the Head Office will amend its procedures for managing the AML/CFT examination findings of overseas branches and subsidiaries.</p>	<p>(1) Completed</p> <p>(2) March 31, 2021</p>
<p>2. The 2020 FSC limited-scope examination of CTBC Bank's AML/CFT and Countering the Proliferation of Weapons Program found deficiencies in the following areas:</p> <p>(1) The Head Office's supervision of overseas branches and subsidiaries in reporting major incidents/events</p> <p>(2) The review of name-screening database lists and system configuration</p> <p>(3) The operation of the cash collection service</p>	<p>(1) The monitoring mechanism for reporting and tracking of major incidents/events was reinforced.</p> <p>(2) Relevant guidelines were amended and the review of the name-screening database lists was completed. Effectiveness tuning and benchmarking were executed for the system configuration of overseas branches and subsidiaries. In addition, for the Philippine subsidiary, a third-party consultant will be engaged to assess the compliance and effectiveness of the name-screening process.</p> <p>(3) The relevant cash collection process was enhanced.</p>	<p>(1) Completed</p> <p>(2) March 31, 2021</p> <p>(3) Completed</p>

6. Audit Committee Report on last year's financial statement

CTBC Bank Co., Ltd.
2020 Audit Committee Report

The financial statements(unconsolidated and consolidated), business report, and earnings distribution plan submitted by the Board of Directors of CTBC Bank Co., Ltd., among which the financial statements(unconsolidated and consolidated) have been audited by external auditors Wu, Lin and Tzang, Kuo-Yang of KPMG, have been duly examined and accepted as correct by the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and the committee's report is hereby submitted.

Audit Committee Convener

Sheng-Yung Yang



Taipei, Taiwan, R.O.C.

April 29, 2021

7. Head office and domestic branches

7.1. Domestic branches

Branch Name	Address	Telephone
Head Office (Banking Department)	1F., No. 168, Jingmao 2nd Rd., Nangang District, Taipei City 115, Taiwan (R.O.C.)	886-2-33271688
Jhancian Branch	1F., No. 4, Sec. 1, Zhongxiao W. Rd., Jhongzheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23113598
Huashan Branch	1F., No. 55, Sec. 1, Zhongsiao E. Rd., Jhongzheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23413000
Dongmen Branch	1F., No. 213, Sec. 2, Sinyi Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23958000
Chengjhong Branch	1F., No. 83, Sec. 1, Chongcing S. Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23818740
Daan Branch	1F., No. 102, Sec. 2, Roosevelt Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-33651988
Mincyuan West Road Branch	1F., No. 104-1, Mincyuan W. Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	886-2-25572919
Chengde Branch	1F., No. 17, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	886-2-25562088
Sihu Branch	1F., No. 244, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-27999588
Jhongshan Branch	1F., No. 106-2, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25235222
Minsheng Branch	1F., No. 58, Sec. 1, Minsheng E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25641818
East Minsheng Branch	1F., No. 51, Sec. 3, Minsheng E. Rd., Zhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25093656
Dazhi Branch	1F., No. 638, Mingshuei Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-85026002
Chengbei Branch	1F., No. 218, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25623789
Nanjing East Road Branch	1F., No. 16, Sec. 1, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25232238
Chengdong Branch	1F., No. 88, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25677377
Longjiang Branch	1F., No. 65, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25158811
Chang An Branch	No. 26, Fusing N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2- 27785881
Jhunglun Branch	1F., No. 85, Sec. 4, Bade Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-27672669
Fujin Branch	1F., No. 165, Sec. 5, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-27602766
Sisong Branch	1F., No. 161, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan, (R.O.C.)	886-2-37655588
Fubei Branch	1F., No. 363, Fusing N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-87705566
Dunbei Branch	1F., No. 122, Dunhua N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-27169789
Renai Branch	1F., No. 341, Sec. 4, Renai Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27754600
Anhe Branch	1F., No. 195, Sec. 2, Anhe Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27386171
Yanji Branch	1F., No. 298, Sec. 4, Zhongsiao E. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27716000
Jhongsiao Branch	1F., No. 71, Sec. 4, Zhongsiao E. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27520310
Sinyi Branch	1F., No. 236, Sec. 4, Sinyi Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27079977

Branch Name	Address	Telephone
Fusing Branch	1F., No. 251, Sec. 1, Dunhua S. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27771988
Dunnan Branch	1F., No. 68, Sec. 2, Dunhua S. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-23253616
Gungguan Branch	1F., No. 311, Sec. 3, Roosevelt Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-23623377
Wanhua Branch	1F., No. 92, Sec. 2, Changsha St., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	886-2-23898188
Yongji Branch	1F., No. 18, Yongji Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	886-2-27617999
Songshan Branch	1F., No. 550, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	886-2-23466711
Shinfu Branch	1F., No. 9, Songgao Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	886-2-27221668
Tianmu Branch	1F., No. 90, Sec. 6, Jhongsan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28322888
Shihlin Branch	1F., No. 307, Jhongjheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28839900
North Tianmu Branch	1F., No. 10, Tianmu W. Rd., Shilin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28766100
Jiantan Branch	1F, No. 150, Sec. 4, Chengde Rd., Shilin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28827979
Shihpai Branch	1F., No. 46, Sec. 2, Shihpai Rd., Beitou District, Taipei City 112, Taiwan (R.O.C.)	886-2-28213366
Beitou Branch	1F., No. 217, Guangming Rd., Beitou District, Taipei City 112, Taiwan(R.O.C.)	886-2-28983039
Rueiguang Branch	No. 514, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-27985600
Chenggong Branch	1F., No. 161, Sec. 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-87911686
Neihu Branch	1F., No. 358, Sec. 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-27938668
Donghu Branch	1F., No. 182, Sec. 3, Kangning Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-26312288
Mujha Branch	1F., No. 69, Sec. 3, Mujha Rd., Wunshan District, Taipei City 116, Taiwan (R.O.C.)	886-2-29375890
Wunshan Branch	1F., No. 248, Sec. 4, Sinhai Rd., Wunshan District, Taipei City 116, Taiwan(R.O.C.)	886-2-29335358
Jingmei Branch	No. 405, Sec. 6, Roosevelt Rd., Wenshan District, Taipei City 116, Taiwan (R.O.C.)	886-2-29329838
Keelung Branch	1F., No. 150, Sinyi Rd., Sinyi District, Keelung City 201, Taiwan (R.O.C.)	886-2-24221166
Pucian Branch	No. 409, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	886-2-29550666
Bansin Branch	1F., No. 293-1, Sec. 1, Jhongsan Rd., Banciao District , New Taipei City 220, Taiwan (R.O.C.)	886-2-89611500
Banciao Branch	1F., No. 187, Sec. 1, Wunhua Rd., Banciao District , New Taipei City 220, Taiwan (R.O.C.)	886-2-29606600
Chongcing Branch	1F., No. 290, Chongcing Rd., Banciao District , New Taipei City 220, Taiwan (R.O.C.)	886-2-29634567
Sinantecyu Branch	1F., No. 88, Sec. 2, Sianmin Blvd., Banqiao District, New Taipei City 220, Taiwan (R.O.C.)	886-2-29619666
Jiangcui Branch	No. 242, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	886-2-22578999
Sijhih Branch	1F., No. 210, Sec. 2, Datong Rd., Sijhih District , New Taipei City 221, Taiwan (R.O.C.)	886-2-26489699
Sindian Branch	No. 150, Sec. 1, Beixin Rd., Xindian District, New Taipei City 231, Taiwan (R.O.C.)	886-2-29129988
North Sindian Branch	1F., No. 25, Mincyuan Rd., Sindian District , New Taipei City 231, Taiwan (R.O.C.)	886-2-29135000
Baociang Branch	1F., No. 31, Baociang Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.)	886-2-29123366

Branch Name	Address	Telephone
Yonghe Branch	1F., No. 215, Sec. 1, Jhongshan Rd., Yonghe District , New Taipei City 234, Taiwan (R.O.C.)	886-2-89235008
Shuanghe Branch	1F., No. 588, Jhongjheng Rd., Yonghe District , New Taipei City 234, Taiwan (R.O.C.)	886-2-29233333
Nashihjiao Branch	1F., No. 65, Jhongjheng Rd., Yonghe District , New Taipei City 234, Taiwan (R.O.C.)	886-2-29498838
Banhe Branch	1F., No. 726, Jhongjheng Rd., Jhonghe District , New Taipei City 235, Taiwan (R.O.C.)	886-2-82261288
Jhonghe Branch	1F., No. 261, Sec. 2, Zhongshan Rd., Zhonghe District., New Taipei City 235, Taiwan (R.O.C.)	886-2-22452277
Tucheng Branch	1F., No. 304, Sec. 2, Jhongyang Rd., Tucheng District , New Taipei City 236, Taiwan (R.O.C.)	886-2-22630888
Jincheng Branch	1F., No. 16, Sec. 3, Jincheng Rd., Tucheng District , New Taipei City 236, Taiwan (R.O.C.)	886-2-22601177
Sanxia Branch	No. 113, Daxue Rd., Sanxia Dist., New Taipei City 237, Taiwan (R.O.C.)	886-2-26724088
Shulin Branch	1F., No. 122, Sec. 1, Jhongshan Rd., Shulin District , New Taipei City 238, Taiwan (R.O.C.)	886-2-26812345
Sanhe Branch	1F., No. 119, Sec. 4, Sanhe Rd., Sanchong District , New Taipei City 241, Taiwan (R.O.C.)	886-2-22863286
Sanchong Branch	1F., No. 208, Jhengyi N. Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-29828121
Erchongpu Branch	1F., No. 70-1, Sec. 1, Guangfu Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-29959876
Chongyang Branch	1F., No. 66, Sec. 1, Chongyang Rd., Sanchong District , New Taipei City 241, Taiwan (R.O.C.)	886-2-89881199
Chongsin Branch	1F., No. 42-1, Sec. 2, Chongsin Rd., Sanchong District , New Taipei City 241, Taiwan (R.O.C.)	886-2-89726189
Sinjuang Branch	1F., No. 320, Jhongjheng Rd., Sinjuang District , New Taipei City 242, Taiwan (R.O.C.)	886-2-29929696
Danfong Branch	1F., No. 879-15, Jhongjheng Rd., Sinjuang District , New Taipei City 242, Taiwan (R.O.C.)	886-2-29066888
Xinfu Branch	No. 333, Zhongyuan Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	886-2-89916999
North Sinjuang Branch	1F., No. 57, Sec. 2, Jhonghua Rd., Sinjuang District , New Taipei City 242, Taiwan (R.O.C.)	886-2-22776789
Minan Branch	1F., No. 179, Min-an Rd., Sinjuang District , New Taipei City 242, Taiwan (R.O.C.)	886-2-22068887
East Linkou Branch	1F., No. 677, Jhongshan Rd., Linkou Dist., New Taipei City 244, Taiwan (R.O.C.)	886-2-26019397
Lujhou Branch	1F., No. 211, Jhongshan 1st Rd., Lujhou District , New Taipei City 247, Taiwan (R.O.C.)	886-2-28482008
East Lujhou Branch	1F., No. 135, Minzu Rd., Lujhou District , New Taipei City 247, Taiwan (R.O.C.)	886-2-22839300
North Lujhou Branch	1F., No. 355, Changrong Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.)	886-2-22881999
Danshuei Branch	1F., No. 123, Jhongshan Rd., Danshuei District , New Taipei City 251, Taiwan (R.O.C.)	886-2-86318822
Yilan Branch	1F., No. 271, Sec.2, Jhongshan Rd., Yilan City , Yilan County 260, Taiwan(R.O.C.)	886-3-9351122
Lohdong Branch	1F.,No. 232, Singdong S. Rd., Luodong Township, Yilan County 265, Taiwan (R.O.C.)	886-3-9574320
Hsinchu Branch	1F., No. 158, Jhongjheng Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5222687
Guangfu Branch	No. 35, Ln. 19, Guanxin Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5790678
Jhuke Branch	1F., No. 2, Jinshan St., East District, Hsinchu City 300 , Taiwan (R.O.C.)	886-3-5638080
East Hsinchu Branch	1F., No. 32, Jianjhong Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5749190
Baoshan Branch	No. 301, Shihpin Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5628877

Branch Name	Address	Telephone
Liou Jia Jhuang Branch	No. 36, Sec. 2, Wenxing Rd., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	886-3-5506789
Jhupei Branch	1F., No. 49, Guangming 6th Rd., Jhubei City, Hsinchu County 302, Taiwan (R.O.C.)	886-3-6560222
Jhongyuan Branch	1F., No. 203, Sec. 2, Jhongbei Rd., Jhongli Dist, Taoyuan City 320, Taiwan (R.O.C.)	886-3-4662211
Neili Branch	1F., No. 262, Sec. 1, Zhonghua Rd., Jhongli Dist, Taoyuan City 320, Taiwan (R.O.C.)	886-3-4611998
Jhongli Branch	1F., No. 500, Yanping Rd., Jhongli Dist, Taoyuan City 320, Taiwan (R.O.C.)	886-3-4223131
Nan JungLi Branch	No. 68, Huannan Rd., Pingzhen Dist, Taoyuan City 324, Taiwan (R.O.C.)	886-3-4028788
Yiwun Branch	No. 1247, Zhongzheng Rd., Taoyuan Dist, Taoyuan City 330, Taiwan (R.O.C.)	886-3-3567785
Taoyuan Branch	1F., No. 32, Sec. 1, Chenggong Rd., Taoyuan Dist, Taoyuan City 330, Taiwan (R.O.C.)	886-3-3373266
South Taoyuan Branch	1F., No. 845, Jhongshan Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886-3-3600533
North Taoyuan Branch	1F., No. 124, Jingguo Rd., Taoyuan Dist, Taoyuan City 330, Taiwan (R.O.C.)	886-3-3150566
Linkou Branch	1F., No. 233, Fuxing 1st Rd., Guishan Dist, Taoyuan City 333, Taiwan (R.O.C.)	886-3-3962777
Bade Branch	1F., No. 965, Sec. 1, Jieshou Rd., Bade Dist, Taoyuan City 334, Taiwan (R.O.C.)	886-3-3716565
Nankan Branch	1F., No. 257, Jhongjheng Rd., Lujhu Dist, Taoyuan City 338, Taiwan (R.O.C.)	886-3-3212211
Toufen Branch	1F., No. 951, Jhonghua Rd., Toufen City, Miaoli County 351, Taiwan (R.O.C.)	886-3-7695678
Taichung Branch	1F., No. 50, Minzu Rd., Central District, Taichung City 400, Taiwan (R.O.C.)	886-4-22292161
Keboguan Branch	1F., No. 239, Sec. 2, Taiwan Blvd., West Dist, Taichung City 403, Taiwan (R.O.C.)	886-4-23101258
Chunggang Branch	1F., No. 536, Sec. 2, Taiwan Blvd., West Dist, Taichung City 403, Taiwan (R.O.C.)	886-4-23149999
Intercontinental Branch	1F, No. 418, Sec. 3, Chongde Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)	886-4-24229391
Wunsin Branch	1F., No. 875, Sec. 4, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	886-4-22469988
Shizheng Branch	No. 88, Sec. 1, Huizhong Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	886-4-22545333
Liming Branch	1F., No. 173, Sec. 3, Liming Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	886-4-27082200
Situn Branch	1F., No. 859, Sec. 4, Taiwan Blvd., Situn Dist, Taichung City 407, Taiwan (R.O.C.)	886-4-23551000
Nantun Branch	1F., No. 234, Sec. 2, Wucyuan W. Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	886-4-24712268
Taiping Branch	No. 500, Yuxian Rd., Taiping Dist., Taichung City 411, Taiwan (R.O.C.)	886-4-23958285
Hueijhong Branch	No. 88, Sec. 3, Hueijhong Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	886-4-23891269
Dali Branch	No. 201, Sec. 2, Guoguang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	886-4-24073777
Fongyuan Branch	1F., No. 545, Jhongjheng Rd., Fongyuan District, Taichung City 420, Taiwan (R.O.C.)	886-4-25201010
Nantou Branch	1F., No. 220, Jhongshan St., Nantou City, Nantou County 540, Taiwan (R.O.C.)	886-49-2207711
Changhua Branch	1F., No. 76, Siaoyang Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	886-4-7279933
Yuanlin Branch	1F., No. 372, Jhongjheng Rd., Yuanlin City, Changhua County 510, Taiwan (R.O.C.)	886-4-8368676
Chiayi Branch	1F., No. 241, Minsheng N. Rd., Chiayi City 600, Taiwan (R.O.C.)	886-5-2286600

Branch Name	Address	Telephone
Douliou Branch	1F., No. 2, Singhua St., Douliou City, Yunlin County 640, Taiwan (R.O.C.)	886-5-5360099
Central Tainan Branch	1F., No. 167, Sec. 1, Minsheng Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	886-6-2412318
Tainan Branch	1F., No. 159, Sec. 1, Fucian Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	886-6-2152345
West Tainan Branch	1F., No. 212, Sec. 4, Jinhua Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.)	886-6-2263636
Jhonghua Branch	1F., No. 195, Sec. 2, Jhonghua E. Rd., East District, Tainan City 701, Taiwan (R.O.C.)	886-6-3353535
East Tainan Branch	1F., No. 290, Sec. 2, Changrong Rd., East District, Tainan City 701, Taiwan (R.O.C.)	886-6-2085522
South Tainan Branch	1F., No. 236, Sec. 2, Jiankang Rd., South District, Tainan City 702, Taiwan (R.O.C.)	886-6-2919999
Yan Hang Branch	1F., No. 111, Jhongzheng Rd., Yongkang Dist., Tainan City 710, Taiwan (R.O.C.)	886-6-2539199
Yongkang Branch	1F., No. 425, Jhonghua Rd., Yongkang District, Tainan City 710, Taiwan (R.O.C.)	886-6-2025787
Rende Branch	1F., No. 478, Zhongshan Rd., Rende District, Tainan City 717, Taiwan (R.O.C.)	886-6-2798099
Jiali Branch	1F., No. 410, Jhongshan Rd., Jiali District, Tainan City 722, Taiwan (R.O.C.)	886-6-7221335
Sinying Branch	1F., No. 137, Jhongshan Rd., Sinying District, Tainan City 730, Taiwan (R.O.C.)	886-6-6336789
Sinsing Branch	1F., No. 206, Minsheng 1st Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	886-7-2262325
Minzu Branch	1F., No. 97, Minzu 2nd Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	886-7-2386567
Kaohsiung Branch	1F., No. 168, Jhongjheng 4th Rd., Cianjin District, Kaohsiung City 801, Taiwan (R.O.C.)	886-7-2318141
East Kaohsiung Branch	1F., No. 29, Cingnian 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	886-7-5351885
South Kaohsiung Branch	1F., No. 21, Yisin 2nd Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.)	886-7-3366768
Gaomeiguan Branch	No. 25、27, Mingcheng 4th Rd., Gushan Dist., Kaohsiung City 804, Taiwan (R.O.C.)	886-7-5500850
Jiouru Branch	1F., No. 551, Jiouru 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	886-7-3805558
Sanmin Branch	1F., No. 366, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	886-7-3161155
North Kaohsiung Branch	1F., No. 52, Mingcheng 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	886-7-3461199
Youchang Branch	1F., No. 803-3, Houchang Rd., Nanzih District, Kaohsiung City 811, Taiwan (R.O.C.)	886-7-3681699
Boai Branch	1F., No. 88, Bo-ai 2nd Rd., Zuoying District, Kaohsiung City 813, Taiwan (R.O.C.)	886-7-5567909
Gangshan Branch	1F., No. 388, Gangshan Rd., Gangshan District, Kaohsiung City 820, Taiwan (R.O.C.)	886-7-6235500
Fongshan Branch	1F., No. 85-1, Jhongshan Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	886-7-7451199
Wujia Branch	1F., No. 699, Wujia 2nd Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	886-7-8215101
Cingnian Branch	1F., No. 315, Sec. 2, Cingnian Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	886-7-7777668
Pingtung Branch	1F., No. 450, Zihyou Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	886-8-7383000
Taitung Branch	1F., No. 279, Jhongshan Rd., Taitung City, Taitung County 950, Taiwan (R.O.C.)	886-8-9339898
Hualien Branch	1F., No. 376, Jhongshan Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	886-3-8340566
East Hualien Branch	1F., No. 1-7, Gongyuan Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	886-3-8351101

7.2. Overseas services outlets

Branches

Unit	Address	Telephone	Fax
Hong Kong Branch	Room 2801, 28F and Room 2104-10, 21F, Two International Finance Centre, 8 Finance St., Central, Hong Kong	852-29161888	852-28109742
Kowloon Branch	20F, Manhattan Place, No. 23 Wang Tai Rd., Kowloon Bay, Kowloon, Hong Kong	852-29161688	852-28050899
Shanghai Branch	27F, Shanghai World Financial Center, 100 Century Av., Pudong New Area, Shanghai 200120, PRC	86-21-20805888	86-21-68778788
Shanghai Pilot Free Trade Zone Sub-Branch	Unit 1501, 1502, 1512, 15 th Floor, No. 55 Jilong Rd., China (Shanghai) Pilot Free Trade Zone, Shanghai 200131, PRC	86-21-20805888	86-21-50585112
Shanghai Hongqiao Sub-branch	1104-1105, 11F, 818 Shen Chang Rd., Shanghai 201106, PRC	86-21-38766006	86-21-38766030
Guangzhou Branch	6F, International Finance Place, No. 8 Huaxia Rd., Pearl River New Town, Guangzhou 510623, PRC	86-20-38560388	86-20-38560333
Xiamen Branch	29F, Ganghang Building, No. 29 North Donggang Rd., China (Fujian) Pilot Free Trade Zone, Xiamen Subdistrict, 361013, PRC	86-592-5669686	86-592-5668738
Shenzhen Branch	Unit 401A/ 402A2b, Kerry Plaza, No. 1, Zhong Xin Si Rd., Futian CBD, Shenzhen, 518048, PRC	86-755-25767999	86-755-25767000
Singapore Branch	8 Marina View, #29-01, Asia Square Tower 1, Singapore 018960	65-63514888	65-65325999
New Delhi Branch	Gr. Floor & 2nd Floor, Aria Tower, JW Marriott Hotel, Delhi-Aerocity, Asset Area-4, New Delhi-110037, India	91-11-43688888	91-11-43688873
Sriperumbudur Branch	Plot No. 42 Chennai Bangalore Highways NH4, Sriperumbudur, Kancheepuram District, Tamil Nadu-602105, India	91-44-67147700	91-44-67147799
Ho Chi Minh City Branch	9 th Floor, MPlaza Saigon, No. 39 Le Duan St., District 1, Ho Chi Minh City, Vietnam	84-28-39101888	84-28-39101999
Tokyo Branch	Kioi Tower 28F, Tokyo Garden Terrace Kioicho, 1-3 Kioicho, Chiyoda-ku, Tokyo 102-0094, Japan	81-3-32889888	81-3-35568892
New York Branch	11F, #521 Fifth Av., New York, NY 10175, USA	1-212-4578888	1-212-4576666

Subsidiaries

Unit	Address	Telephone	Fax
The Tokyo Star Bank, Ltd.	2-3-5 Akasaka, Minato-Ku, Tokyo, 107-8480, Japan	81-3-35863111	81-3-32241510
CTBC Bank (Philippines) Corp.	16th-19th Floor, Fort Legend Towers, 31st St., Corner 3rd Av., Bonifacio Global City, Taguig City, 1634 Philippines	63-2-77175287	63-2-88118584
CTBC Bank Corp. (Canada)	Suite #350-2608 Granville St., Vancouver, B.C., V6H 3V3, Canada	1-778-3096800	1-778-3091556
CTBC Bank Corp. (USA)	801 S. Figueroa St., Suite 2300 (22-23F), Los Angeles, CA 90017, USA	1-310-7912828	1-424-2774698
PT Bank CTBC Indonesia	Tamara Center, 15 th -17 th Floor, Jl Jenderal Sudirman Kav. 24, Jakarta, 12920, Indonesia	62-21-25578787	62-21-30402286

Representative offices

Unit	Address	Telephone	Fax
Bangkok Rep. Office	Suite 803, 8F, GPF Witthayu, Tower A, 93/1 Wireless Rd., Lumpini, Pathumwan, Bangkok 10330, Thailand	66-2-2543139	66-2-2566480
Hanoi Rep. Office	East-3002, 30F, LOTTE Center Hanoi, No. 54 Lieu Giai St., Cong Vi Ward, Ba Dinh District, Hanoi, Vietnam	84-24-38249088	84-24-38249099
Los Angeles Rep. Office	17851 Colima Rd., Suite A2, City of Industry, CA91748, USA	1-626-8397660	1-626-9120868
Beijing Rep. Office	B-111, The Grand Pacific Building, 8a, Guanghua Rd., Chao Yang District, Beijing, 100026, PRC	86-10-65813700	86-10-65815701
Sydney Rep. Office	Suite 2702, Level 27, 259 George St., Sydney, NSW 2000, Australia	61-2-92513655	61-2-92513644
Yangon Rep. Office	Unit #506, No. 53, Strand Rd., Pabedan Township, Yangon, Myanmar	95-1-2307348	95-1-2307347
Kuala Lumpur Rep. Office	Lot 11-09, Level 11, Menara Hap Seng 2, Letter Box 21, Plaza Hap Seng, No. 1 Jalan P. Ramlee 50250 Kuala Lumpur, Malaysia	60-3-20223299	60-3-20223277

CTBC BANK CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

**Address: No.166, 168, 170, 186, 188, Jingmao 2nd Rd., Nangang Dist., Taipei City
115, Taiwan, R.O.C.**

Telephone: 886-2-3327-7777

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the consolidated financial statements of CTBC Bank Co., Ltd. for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard No. 10 “Consolidated Financial Statements”, endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements of the affiliates is fully included in the consolidated financial statements. Consequently, CTBC Bank Co., Ltd. and subsidiaries do not prepare a separate set of consolidated financial statements of the affiliated enterprises.

Company name: CTBC Bank Co., Ltd.

Chairman: Li, Ming-Shieh

Date: March 19, 2021



安侯建業聯合會計師事務所
KPMG

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Independent Auditors' Report

To the Board of Directors of CTBC Bank Co., Ltd.:

Opinion

We have audited the consolidated financial statements of CTBC Bank Co., Ltd. (“the Bank”) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in stockholders’ equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and pronouncements as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Jin Kuan Yin No. 10802731571 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Bank and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

The judicial cases are stated in Note 9(c). Part of judicial cases are still under investigation by the judiciary, and the results remain uncertain. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters which should communicate through the auditors’ report were as follows:



1. Assessment of the fair value of financial instruments

Please refer to Note 4(f) for the related accounting policies of the assessment of the fair value of financial instruments, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6(ao) for the other details.

Description of key audit matter:

Parts of the financial instruments owned by the Bank and its subsidiaries as of December 31, 2020 were valued via evaluation model due to the lack of transaction prices at active market, and parts of the referred input values could not be obtained from the public market. Thus, it demands significant professional judgments from the management by using different valuation techniques and assumptions for input values. Therefore, the assessment of fair value of financial instruments is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Testing the management's control procedures over the classification, measurement and disclosure of fair value of financial instruments, including evaluating how the management determines the classification of financial instruments, chooses the appropriate evaluation method and decides the prime parameter hypothesis, and confirming that the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards (IFRSs). For financial instruments with active market prices, we used sampling test to assess the appropriateness of public quoted prices. As to financial instruments using evaluation model to measure their fair value, we used sampling test to confirm the appropriateness of the evaluation method and the prime input values used by the management.

2. Impairment of loans and receivables

Please refer to Note 4(f) for the related accounting policies of impairment of loans and receivables, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6(h), (i), (j) and (ao) for the other details.

Description of key audit matter:

The management assessed the expected credit loss (ECL) of loans and receivables by identifying whether the credit risk of credit assets has significantly increased since initial recognition, then dividing ECL into 12-month ECL and lifetime ECL, and dividing them into collective assessment and individual assessment to measure them by using different impairment methods. For collective assessment, the impairment is calculated by establishing an impairment model and using the past loss experience, current market conditions and forward-looking estimation on assets with similar credit risk characteristic to form basic estimation. For individual assessment, the measurement is based on expected future recoverable cash flows. The aforementioned measurement methods involved significant professional judgments and estimation by the management; therefore, the impairment of loans and receivables is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Understanding the methodology and related control procedures on how the management assesses and measures the impairment amount of loans and receivables. For collective assessment, we assessed the impairment model adopted by the management and reviewed the appropriateness of the calculation of the impairment parameters (including probability of default, loss given default, exposure at default and recovery rate) via sampling. For individual assessment, we used sampling test to assess the appropriateness of the estimation of future recoverable amounts and the value of collateral. Meanwhile, we assessed whether the allowance for loans and receivables meets the regulation requirement.

Other Matter

Individual financial statements of the Bank were additionally prepared, and we have expressed an unqualified opinion with emphasis of matter and other matter on it for user reference.



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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations, and pronouncements as 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 Bank and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including audit committee) are responsible for overseeing the Bank and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Wu, Lin and Tzang, Kuo-Yang.

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CTBC BANK CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
ASSETS									
11000 Cash and cash equivalents (note 4, 6(a) and (f), and 7)	\$ 62,941,038	2	71,132,119	2					
11500 Due from Central Bank and call loans to banks (note 6(b), 7, and 8)	357,920,481	8	250,751,058	6	21000 Deposits from Central Bank and other banks (note 6(f) and 7)	\$ 55,993,946	1	53,200,298	1
12000 Financial assets measured at fair value through profit or loss (note 4, 6(c), (t) and (ao), and 7)	194,402,273	4	168,688,304	4	21500 Due to Central Bank and other banks (note 6(s) and 8)	5,223,928	-	12,841,645	-
12100 Financial assets measured at fair value through other comprehensive income (note 4, 6(d), (t) and (ao), and 8)	352,833,641	8	320,550,304	8	22000 Financial liabilities measured at fair value through profit or loss (note 4, 6(c) and (ao), and 7)	77,517,104	2	113,902,464	3
12200 Investment in debt instruments at amortized cost (note 4, 6(c), (t) and (ao), and 8)	781,466,726	17	694,995,472	17	22300 Financial liabilities-hedging (note 4, 6(f) and (ao))	211,672	-	37,437	-
12300 Financial assets-hedging (note 4, 6(f) and (ao))	16,394	-	330,764	-	22500 Securities sold under repurchase agreements (note 4, 6(t) and 7)	80,419,543	2	92,542,347	2
12500 Securities purchased under resell agreements (note 4 and 6(g))	2,607,710	-	852,440	-	23000 Payables (note 6(u) and 7)	77,827,894	2	79,401,366	2
13000 Receivables-net (note 4, 6(b), (j) and (ao), 7, and 8)	141,259,787	3	158,589,562	4	23500 Current income tax liabilities (note 4)	3,063,209	-	3,038,409	-
13200 Current income tax assets (note 4)	1,116,121	-	742,438	-	24000 Deposits and remittances (note 6(v) and 7)	3,750,938,038	83	3,381,818,453	80
13500 Loans-net (note 4, 6(i), (j) and (ao), and 7)	2,475,938,077	55	2,417,691,180	57	25000 Financial debentures (note 6(c) and (w))	58,999,999	2	58,999,992	1
15000 Investment under equity method-net (note 4 and 6(k))	19,649,774	1	20,967,614	1	25500 Other financial liabilities (note 6(x))	50,664,147	1	86,473,304	2
15500 Other financial assets-net (note 4, 6(j), (l) and (ao), and 8)	1,420,083	-	1,202,761	-	25600 Provisions (note 4, 6(i), (y) and (ab))	5,412,445	-	5,238,059	-
18500 Premises and equipment-net (note 4 and 6(n))	43,000,685	1	44,333,954	1	26000 Lease liabilities (note 4, 6(aa), and 7)	14,285,447	-	13,763,018	-
18600 Right-of-use assets-net (note 4 and 6(o))	16,178,313	-	15,969,575	-	29300 Deferred tax liabilities (note 4 and 6(ac))	4,799,121	-	2,774,469	-
18700 Investment property-net (note 4 and 6(m))	5,146,251	-	5,032,906	-	29500 Other liabilities (note 6(z))	12,519,535	-	13,810,194	-
19000 Intangible assets-net (note 4 and 6(p))	15,939,985	-	15,765,904	-	Total Liabilities	<u>4,197,876,028</u>	<u>93</u>	<u>3,917,841,455</u>	<u>91</u>
19300 Deferred income tax assets (note 4 and 6(ac))	7,748,861	-	6,529,966	-	Stockholders' Equity - Parent Company:				
19500 Other assets-net (note 4 and 6(q))	30,669,842	1	33,044,449	1	Capital stock:				
					Common stock (note 6(ad))	147,962,186	3	144,098,754	4
					Capital surplus:(note 6(ad))				
					Capital premium	28,607,197	1	28,607,197	1
					Others	1,252,008	-	1,185,867	-
					Retained earnings:				
					Legal reserve	99,015,191	2	89,759,087	2
					Special reserve	14,863,982	-	18,744,682	1
					Undistributed earnings (note 6(ad))	26,989,858	1	30,853,701	1
					Other equity interest (note 6(ad))	(6,390,578)	-	(4,001,124)	-
					Non-controlling interests	<u>80,170</u>	<u>-</u>	<u>81,151</u>	<u>-</u>
					Total Equity	<u>312,380,014</u>	<u>7</u>	<u>309,529,315</u>	<u>9</u>
TOTAL ASSETS	\$ 4,510,256,042	100	4,227,170,770	100	TOTAL LIABILITIES AND EQUITY	\$ 4,510,256,042	100	4,227,170,770	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2020		2019		Change	
	Amount	%	Amount	%	Amount	%
41000	\$ 75,615,574	76	86,044,324	83		(12)
51000	(19,001,526)	(19)	(29,454,383)	(28)		(35)
	<u>56,614,048</u>	<u>57</u>	<u>56,589,941</u>	<u>55</u>		-
Net non-interest income						
49100	34,452,533	35	34,165,757	33		1
49200	4,094,411	4	8,649,999	8		(53)
49310	2,796,595	3	3,246,357	3		(14)
49450	11,519	-	23,185	-		(50)
49600	1,449,467	2	1,080,048	1		34
49700	(146,356)	-	17,774	-		(923)
49750	924,859	1	1,282,548	1		(28)
49800	1,444,624	1	1,359,532	1		6
49815	(23,624)	-	(6,140)	-		(285)
49899	(2,700,000)	(3)	(2,700,000)	(2)		-
	<u>98,918,076</u>	<u>100</u>	<u>103,709,001</u>	<u>100</u>		(5)
58200	(9,188,447)	(9)	(5,390,943)	(5)		70
Operating expenses:						
58500	(30,017,128)	(30)	(32,050,407)	(31)		(6)
59000	(6,805,095)	(7)	(6,526,546)	(6)		4
59500	(20,639,529)	(21)	(21,282,037)	(21)		(3)
	<u>(57,461,752)</u>	<u>(58)</u>	<u>(59,858,990)</u>	<u>(58)</u>		(4)
	<u>32,267,877</u>	<u>33</u>	<u>38,459,068</u>	<u>37</u>		(16)
61003	4,999,142	5	7,557,363	7		(34)
	<u>27,268,735</u>	<u>28</u>	<u>30,901,705</u>	<u>30</u>		(12)
Other comprehensive income:						
Items that will not be reclassified subsequently to profit or loss						
65201	(130,204)	-	114,052	-		(214)
65205	(1,176,748)	(1)	1,396,988	1		(184)
65204	1,017,367	1	939,146	1		8
65206	(1,572,120)	(2)	(4,785)	-		(32,755)
65220	(202,087)	-	11,187	-		(1,906)
	<u>(1,659,618)</u>	<u>(2)</u>	<u>2,434,214</u>	<u>2</u>		(168)
Items that are or may be reclassified subsequently to profit or loss						
65301	(3,305,068)	(4)	(545,607)	(1)		(506)
65308	1,484,209	2	2,115,516	2		(30)
65306	524,539	1	10,231	-		5,027
65320	(286,574)	-	300,379	-		(195)
	<u>(1,009,746)</u>	<u>(1)</u>	<u>1,279,761</u>	<u>1</u>		(179)
65000	(2,669,364)	(3)	3,713,975	3		(172)
66000	<u>\$ 24,599,371</u>	<u>25</u>	<u>\$ 34,615,680</u>	<u>33</u>		(29)
Net Income attributable to:						
67101	\$ 27,266,986	28	30,899,235	30		(12)
67111	1,749	-	2,470	-		(29)
	<u>\$ 27,268,735</u>	<u>28</u>	<u>\$ 30,901,705</u>	<u>30</u>		
Comprehensive income attributable to:						
67301	\$ 24,602,762	25	34,615,138	33		(29)
67311	(3,391)	-	542	-		(726)
	<u>\$ 24,599,371</u>	<u>25</u>	<u>\$ 34,615,680</u>	<u>33</u>		
	<u>\$ 1.84</u>		<u>\$ 2.09</u>			

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CTBC BANK CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Stockholders' Equity - Parent Company										
	Retained earnings			Other equity interest							
Capital stock											
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences of subsidiaries' financial reports translation	Unrealized (losses) gains on financial assets measured at fair value through other comprehensive income	Change in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	Stockholders' equity - parent company	Non-controlling interests	Total equity
Balance at January 1, 2019											
Net income											
Other comprehensive income (losses)											
Total comprehensive income (losses)											
Appropriation and distribution of retained earnings:											
Legal reserve appropriated											
Special reserve appropriated											
Cash dividends of common share											
Stock dividends of common share											
Reversal of special reserve											
Changes in ownership interests in subsidiaries											
Share-based payments											
Disposal of investments in equity instruments designated at fair value through other comprehensive income											
Balance at December 31, 2019											
Net income											
Other comprehensive (losses) income											
Total comprehensive income (losses)											
Appropriation and distribution of retained earnings:											
Legal reserve appropriated											
Cash dividends of common share											
Stock dividends of common share											
Reversal of special reserve											
Changes in equity of associates and joint ventures accounted under equity method											
Changes in ownership interests in subsidiaries											
Disposal of investments in equity instruments designated at fair value through other comprehensive income											
Balance at December 31, 2020											

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Net Income Before Tax	\$ 32,267,877	38,459,068
Adjustments:		
Income and expenses items:		
Depreciation expense	5,341,402	5,138,986
Amortization expense	1,491,303	1,399,898
Provision for expected credit loss / bad debt expenses, commitment and guarantee liability provision	9,188,447	5,390,943
Net gains on financial assets or liabilities measured at fair value through profit or loss	(6,507,707)	(3,220,474)
Interest expense	19,001,526	29,454,383
Interest income	(75,615,574)	(86,044,324)
Dividend income	(903,998)	(892,926)
Net change in other provisions	125,014	(44,652)
Share based payments	-	1,603
Proportionate share of gains from associates and joint ventures under the equity method	(924,859)	(1,282,548)
Losses (gains) on disposal and retirement of premises and equipment	3,612	(848,639)
Losses on disposal and retirement of intangible assets	2,334	57,385
Provision for (reversal of) impairment losses on financial assets	18,334	(23,487)
Provision for impairment losses on non-financial assets	128,022	5,713
Losses (gains) on disposal of foreclosed properties	1,331	(7,894)
Other adjustments	(1,084,831)	(423,759)
Subtotal of income and expense items	<u>(49,735,644)</u>	<u>(51,339,792)</u>
Changes in Operating Assets and Liabilities:		
Net Changes in Operating Assets:		
Decrease (increase) in due from Central Bank and call loans to banks	7,958,944	(16,806,951)
(Increase) decrease in financial assets measured at fair value through profit or loss	(17,304,053)	3,432,028
Increase in financial assets measured at fair value through other comprehensive income	(29,911,710)	(63,948,858)
Increase in investments in debt instruments at amortized cost	(86,490,652)	(99,353,292)
Decrease (increase) in hedging financial assets	314,370	(296,552)
Decrease in receivables	16,672,670	5,904,841
Increase in loans	(67,489,179)	(109,493,548)
(Increase) decrease in other financial assets	(408,805)	1,103,382
Decrease (increase) in other assets	273,410	(5,041,071)
Net Changes in Operating Assets	<u>(176,385,005)</u>	<u>(284,500,021)</u>
Net Changes in Operating Liabilities:		
Increase (decrease) in deposits from Central Bank and other banks	2,793,648	(21,298,394)
(Decrease) increase in financial liabilities measured at fair value through profit or loss	(9,792,321)	17,491,118
Increase (decrease) in hedging financial liabilities	174,235	(146,758)
Increase in payables	3,845,748	1,224,545
Increase in deposits and remittances	369,119,585	225,051,478
Decrease in other financial liabilities	(35,309,675)	(32,499,670)
Decrease in employee benefits reserve	(138,908)	(144,496)
(Decrease) increase in other liabilities	(1,290,659)	3,140,433
Net Changes in Operating Liabilities	<u>329,401,653</u>	<u>192,818,256</u>
Net Changes in Operating Assets and Liabilities	<u>153,016,648</u>	<u>(91,681,765)</u>
Sum of Adjustments	<u>103,281,004</u>	<u>(143,021,557)</u>
Cash provided by (used in) Operating Activities	135,548,881	(104,562,489)
Interest received	76,480,848	85,491,024
Dividends received	1,314,917	1,570,566
Interest paid	(22,712,444)	(25,546,674)
Income taxes paid	(4,156,130)	(4,880,172)
Net Cash Flows Provided by (Used in) Operating Activities	<u>186,476,072</u>	<u>(47,927,745)</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash Flows from Investing Activities:		
Purchase of investment under equity method	\$ (23,992)	(14,626)
Increase in prepayments for investments	-	(100,000)
Proceeds from capital reduction of investee company under equity method	-	26,503
Purchase of premises and equipment	(1,343,593)	(3,104,272)
Disposal of premises and equipment	80,201	1,337,254
Purchase of intangible assets	(1,399,621)	(1,219,609)
Disposal of intangible assets	-	574
Disposal of foreclosed properties	12,905	44,176
Net Cash Flows Used in Investing Activities	<u>(2,674,100)</u>	<u>(3,030,000)</u>
Cash Flows from Financing Activities:		
(Decrease) increase in due to Central bank and other banks	(7,617,717)	9,231,462
Issuance of financial debentures	1,000,000	-
Repayments of financial debentures	(28,927,720)	-
(Decrease) increase in securities sold under repurchase agreements	(12,122,804)	31,584,721
Payment of lease liabilities	(2,770,832)	(2,673,173)
Cash dividends paid	(21,614,813)	(21,102,858)
Interest paid	(1,708,295)	(1,711,303)
Net Cash Flows (Used in) Provided by Financing Activities	<u>(73,762,181)</u>	<u>15,328,849</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,347,235)	(363,882)
Increase (decrease) in Cash and Cash Equivalents	108,692,556	(35,992,778)
Cash and Cash Equivalents at the Beginning of Period	<u>260,509,008</u>	<u>296,501,786</u>
Cash and Cash Equivalents at the End of Period	<u>\$ 369,201,564</u>	<u>260,509,008</u>
Composition of Cash and Cash Equivalents:		
Cash and cash equivalents recognized in balance sheet	\$ 62,941,038	71,132,119
Due from Central Bank and call loans to bank which meet IAS 7 definition of cash and cash equivalents	303,652,816	188,524,449
Securities purchased under resell agreements which meet IAS 7 definition of cash and cash equivalents	2,607,710	852,440
Cash and Cash Equivalents at the End of Period	<u>\$ 369,201,564</u>	<u>260,509,008</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history:

CTBC Bank Co., Ltd. (the “Bank”) was originally incorporated in March 1966 as “China Securities Investment Corporation.” In December 1970, the Bank changed its organization and was renamed China Trust Co., Ltd. Twenty-one years later, on July 2, 1992, it was approved to conduct commercial banking business and changed its name to CTBC Bank Co., Ltd.

In order to restructure overall resources, lower costs, expand the business scope, enhance competitiveness, and improve the quality of financial services and operating efficiency, on September 30, 2003, the Bank’s Board of Directors resolved to acquire Grand Commercial Bank, a wholly owned subsidiary of CTBC Financial Holding Co., Ltd., and to merge with it, with the Bank as the surviving entity. The acquisition date of record was December 1, 2003.

On August 1, 1991, Grand Commercial Bank was approved to conduct commercial banking business, and it began operations on December 30, 1991. As of November 30, 2003, Grand Commercial Bank had a business department, a trust department, a domestic banking unit, an offshore banking unit, and 42 domestic branches.

In order to develop the business units, enhance competitiveness, and provide customers with more convenient and varied financial services, the Bank assumed the outstanding assets, liabilities and operations of Fengshan Credit Cooperative (“FSCC”) and Enterprise Bank of Hualien (“EBH”) on October 1, 2004, and September 8, 2007, respectively.

In order to enhance the effectiveness of the overall operation of CTBC Financial Holding Company and to reduce operational risk and cost, the Bank merged with Chinatrust Bills Finance Corp., a wholly owned subsidiary of CTBC Financial Holding Co., Ltd., by issuing common shares in a 0.77-for-1 exchange for the shares of Chinatrust Bills Finance Corp. on April 26, 2008. The Bank is the surviving entity from this merger.

In order to restructure overall resources and fulfill operating efficiency, the Bank merged with CTBC Insurance Brokers Co., Ltd., a wholly owned subsidiary of CTBC Financial Holding Co., Ltd. by issuing common shares in a 10.47-for-1 exchange for the shares of CTBC Insurance Brokers Co., Ltd. on November 30, 2015. The Bank is the surviving entity from this merger.

The Bank has been approved to conduct business in the following areas:

- (a) Checking accounts, savings accounts, and time deposits;
- (b) Short, medium, and long-term loans;
- (c) Note discounting;
- (d) Investment in marketable securities;
- (e) Domestic foreign exchange business;
- (f) Banker’s acceptances;

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (g) Issuance of domestic standby letters of credit;
- (h) Domestic endorsement guarantees business;
- (i) Collection and payment agency;
- (j) Agency for government bonds, treasury bills, corporate bonds, and securities transactions;
- (k) Agency transactions and proprietary trading of short-term bills;
- (l) Credit card-related products;
- (m) Agency for sale of gold nuggets, gold coins, and silver coins;
- (n) Financial derivative businesses as approved by the Financial Supervisory Commission;
- (o) Custody and warehouse services;
- (p) Renting of safe-deposit boxes;
- (q) Financial advisory services on corporate banking;
- (r) Foreign exchange business in connection with exports and imports, fund remittance and repatriation, foreign currency deposits and loans; guarantee for secured repayment, and attestation on exports and imports;
- (s) Non-discretionary trust funds for investment in foreign and domestic marketable securities;
- (t) Account receivable factoring business as approved by the Financial Supervisory Commission;
- (u) Endorsement and issuance of corporate bonds;
- (v) Issuance of financial debentures;
- (w) Underwriting, agency transactions, and proprietary trading of marketable securities;
- (x) Proprietary trading of government bonds;
- (y) All businesses related thereto as specified in the license or other agency services as approved by the Financial Supervisory Commission;
- (z) Trust and fiduciary services;
- (aa) Margins on foreign currency transactions;
- (ab) Issuance of cash value cards;
- (ac) Public welfare lottery sales;

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ad) Futures proprietary trading business; and

(ae) Other businesses as approved by the Financial Supervisory Commission.

The Bank's headquarters coordinate corporate-wide operations and establish domestic and overseas banking units to expand business. As of December 31, 2020, the Bank had 152 domestic branches, 14 foreign branches and 7 overseas representative offices, whereas its subsidiaries had 95 overseas offices.

The Bank's parent company and ultimate parent company is CTBC Financial Holding Co., Ltd.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were approved by the board of directors on March 19, 2021.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted

The details of impact on the Bank and subsidiaries' adoption of the new amendments beginning January 1, 2020 are as follows:

(i) Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

In response to the rent concessions which occurred as a direct consequence of the Covid-19 pandemic, the Bank and subsidiaries elect to use the practical expedient without assessing the lease modifications. In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) Other amendments

The new amendments, also effective January 1, 2020, are as follows:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

The Bank and subsidiaries assess that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) The impact of IFRS issued by the FSC but not yet effective

The Bank and subsidiaries' adoption of the new amendments, effective for annual period beginning on January 1, 2021, are expected to have the following impacts:

(i) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

1) Change in basis for contractual cash flows

Changes to contractual cash flows: the Bank and subsidiaries will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the amendments, but will instead update the effective interest rate to reflect the change on the alternative benchmark rate;

2) Disclosure

The Bank and subsidiaries will be required to disclose any information about new risks arising from the amendments and information transition on how the Bank and subsidiaries manage to transition regarding the information on the transition of another benchmark rates.

3) Transition

The Bank and subsidiaries plan to apply the amendments from January 1, 2021. The application will not impact the amounts reported in 2020 or prior periods.

(ii) Other amendments

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"

The amendments shown above are not expected to have a significant impact on the Bank and subsidiaries' consolidated financial statements.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Bank and subsidiaries, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	A full gain or loss is recognized in accounting when sale or contribution of assets between an investor and its associate or joint venture occurred, if it’s considered as the loss of control of a subsidiary that constitutes a business. A deferred unrealized gain or loss computed by shareholding ratio is recognized when the transaction that involves assets does not constitute a business.	Effective date to be determined by IASB
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	The amendments prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognize such sales proceeds and related cost in profit or loss.	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	The amendments clarify that the “costs of fulfilling a contract” comprises the costs that relate directly to the contract as follows: <ul style="list-style-type: none"> ● the incremental costs; and ● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. 	January 1, 2022

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Annual Improvements to IFRS Standards 2018-2020	<ul style="list-style-type: none"> ● The amendments require a subsidiary that elects to apply paragraph D16(a) of IFRS 1 “First-time Adoption of International Financial Reporting Standards” to measure the cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRSs. ● In determining whether to derecognize a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different in accordance with IFRS 9 “Financial Instruments.” The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. ● The amendments remove the illustration of payments from the lessor relating to leasehold improvements of Illustrative Example 13 accompanying IFRS 16 “Leases” to avoid any potential for confusion regarding the treatment of lease incentives applying IFRS 16. 	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	<p>The amendments update references to the Conceptual Framework and add exceptions to the recognition for provisions, contingent liabilities:</p> <ul style="list-style-type: none"> ● the acquirer shall apply IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. ● the acquirer shall apply IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. 	January 1, 2022

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023

The impact of applying new standards on the financial position and financial performance of the Bank and subsidiaries is under evaluation. Once the evaluation is completed, the Bank and subsidiaries will disclose the effect on the consolidated financial reports.

The Bank and subsidiaries do not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

(4) Summary of significant accounting policies:

(a) Assertion of compliance

The consolidated financial reports were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, IFRSs, IAS, interpretations and pronouncements as accepted by the FSC (“IFRSs as accepted by the FSC”).

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of compilation

The consolidated financial reports have been prepared on a historical cost basis except for the following material items in the balance sheet:

- (i) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
- (ii) Financial instruments measured at fair value through other comprehensive income;
- (iii) Hedging derivative financial instruments measured at fair value;
- (iv) Cash-settled share-based payment agreements liability measured at fair value; and
- (v) Defined benefit assets, which are recognized as the net amount of pension plan assets plus unrecognized prior service cost and unrecognized actuarial losses, minus unrecognized actuarial gains and present value of defined benefits obligation.

(c) Basis of consolidation

(i) Basis of compilation for consolidated financial reports

The consolidated financial reports encompass the Bank itself and controlled entities. All significant of the Bank and subsidiaries intra-group transactions are written-off.

(ii) The control of a special purpose entity (“SPE”) by the Bank and subsidiaries may be indicated if the following criteria are met simultaneously.

- 1) The entity has powers to obtain the majority of the benefits of the SPE’s activities through voting rights or other rights;
- 2) By having a right to the majority of the SPE’s benefits, the entity is exposed to the SPE’s business risks;
- 3) The entity is capable of using its leverage over the SPE to influence the benefits of the SPE.

(iii) Subsidiaries and special purpose entities included in the consolidated financial reports:

Name of Investor Company	Name of Subsidiary	Primary Business	Percentage of Ownership	
			December 31, 2020	December 31, 2019
CTBC Bank Co., Ltd.	CTBC Bank (Philippines) Corp. (Note 1)	Commercial banking and financing business	99.72 %	99.67 %
CTBC Bank Co., Ltd.	PT Bank CTBC Indonesia	Commercial banking and financing business	99.00 %	99.00 %
CTBC Bank Co., Ltd.	CTBC Bank Corp. (Canada)	Commercial banking and financing business	100.00 %	100.00 %
CTBC Bank Co., Ltd.	The Tokyo Star Bank, Ltd.	Commercial banking and financing business	100.00 %	100.00 %
CTBC Bank Co., Ltd.	CTBC Capital Corp.	Investment business	100.00 %	100.00 %
CTBC Capital Corp.	CTBC Bank Corp. (USA)	Commercial banking and financing business	100.00 %	100.00 %

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor Company	Name of Subsidiary	Primary Business	Percentage of Ownership	
			December 31, 2020	December 31, 2019
The Tokyo Star Bank, Ltd.	Tokyo Star Business Finance, Ltd.	Financing and assurance business	100.00 %	100.00 %
The Tokyo Star Bank, Ltd.	TSB Servicer, Ltd. (Note 2)	Debt management business	100.00 %	100.00 %
The Tokyo Star Bank, Ltd.	Pecuniary Trust Contract (Note 3)	Mortgage management/ Asset-backed security that is secured by mortgage/ NPL Collection	- %	- %

Note 1: The Bank increased its capital contribution to CTBC Bank (Philippines) Corp., in September 2019 and March 2020, increasing its percentage of ownership from 99.60% to 99.67% and 99.72%, respectively.

Note 2: Company in liquidation.

Note 3: The reason the listed entities are included in the consolidated financial reports of the Bank and subsidiaries is because the Bank and subsidiaries have leverage over these entities through direct or indirect investment, voting rights of these entities, and rights to either benefit from the majority of these entities' profits or sustain the risks. As of December 31, 2020, the Bank and subsidiaries have not, either under the terms of any contractual arrangements or non-contractual arrangements, provided financial or other support to its special purpose entities. Pecuniary trust contract has been due in March 2019.

(d) Foreign currency

- (i) A foreign currency transaction, which is denominated or requires settlement in a foreign currency, shall be recorded on initial recognition in the functional currency by applying the foreign currency spot exchange rate between the functional currency and the foreign currency at the date of the transaction.
- (ii) At each balance sheet date, foreign currency monetary items shall be translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.
- (iii) Foreign currency differences arising on the settlement of a foreign currency transaction are recognized in current profit or loss. Foreign currency differences arising on the retranslation of monetary items, except for differences arising on the retranslation of monetary items designated as hedging instruments in a hedge of the net investments in foreign operations or in a qualifying cash flow hedge are recognized directly in other comprehensive income, are recognized in profit or loss when it incurred.
- (iv) When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange difference of that gain or loss shall be recognized in other comprehensive income. Otherwise, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange difference of that gain or loss shall be recognized in profit or loss.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Functional currency and presentation currency

The functional currency of the Bank and subsidiaries is the currency of the primary economic environment in which they operate. The consolidated financial reports are presented in New Taiwan Dollars, the functional currency of the Bank.

(e) Cash and cash equivalents

The statements of cash flows are compiled based upon cash and cash equivalents. Cash comprises cash on hand, savings accounts, checking accounts, and unrestricted time deposits or negotiable certificates of deposit which may be terminated anytime without impairing the principal. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and will mature within a short period so that interest rate fluctuations have little effect on their values. Cash equivalents include short-term bills with maturities within three months from the investment date.

Cash and cash equivalents comprise time deposits that are used by the Bank and subsidiaries in the management of its short-term cash commitments and are not for investment or other purposes. Additionally, the aforementioned deposits are readily convertible to fixed amount of cash and are subject to an insignificant risk of changes in their fair value.

(f) Financial instruments

Financial assets held by the Bank and subsidiaries are recorded on the trading date, the fair value is recorded at the time of initial recognition. Except for financial instruments classified as fair value through profit or loss (FVTPL), other financial instruments are initially recognized at acquiring or issuing cost plus transaction costs. However, if the handling fee arising from the sale and purchase does not reach the principle of materiality, it will be charged to current expenses. Upon disposition, the cost of sale of equity securities is determined by the moving-average method, and the cost of sale of debt securities is determined by the first-in, first-out (FIFO) method.

(i) Financial assets

Financial assets are classified into the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and measured at amortized cost.

1) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss, if one of the following conditions is met:

a) Financial assets held for trading

i) Its main purpose is to sell or repurchase in the near future.

ii) When it was originally recognized, it was part of the identifiable financial commodity investment of a group of merged management with evidence showing the mode of operation in which this combination is actually a short-term profit in the near term.

b) Financial assets that are not measured at amortized cost or fair value through other comprehensive income.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

c) In addition to being designated as a hedged item by hedge accounting, financial assets designated as at fair value through profit or loss at initial recognition.

d) Derivative financial instrument

At each balance sheet date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized in current profit or loss.

2) Financial assets measured at fair value through other comprehensive income

a) Financial assets measured at fair value through other comprehensive income, if both of the following conditions are met and financial assets were not designated as financial assets measured at fair value through profit or loss:

i) The financial assets is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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

1. Principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

2. However, in some cases, the time value of money element may be modified (i.e., imperfect). In such cases, the Bank and subsidiaries must assess the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The fair value of debt instruments measured at fair value through other comprehensive income shall be remeasured at each balance sheet date. The resulting gain or loss from such remeasurement is recognized directly in other comprehensive income. Interest on a debt instrument shall be recorded under the accrual basis, with the relevant premium/discount amortized by using the effective-interest-rate method. Credit losses on the financial instrument shall be recognized as well. If, in a subsequent period, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The balance of impaired adjustment amount in other comprehensive income after the reversal shall not be negative. A gain or loss on financial assets is recognized directly in other comprehensive income, except for foreign exchange gains or losses arising from monetary financial assets, until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is charged to profit or loss.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- b) At initial recognition, an irrevocable election is made to present changes in the fair value of an equity instrument that is not held for trading in other comprehensive income. When the equity instrument is derecognized, the amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the cumulative gain or loss may be transferred within equity or into retained earnings directly. Dividends are recognized in profit or loss unless the dividend represents the recovery of part of the investment costs clearly.

3) Financial assets at amortized cost

Financial assets measured at amortized cost include cash and cash equivalents, debt instruments measured at amortized cost, securities under repurchase/resell agreements, loans and receivables, deposits pledged and other financial assets that are not measured at fair value, etc.

Financial assets measured at amortized cost are initially recognized at whose fair value plus transaction costs. After initial recognition, the amortized cost minus impairment loss are determined by using the effective-interest-rate method. The interest income and impairment loss are recognized in profit or loss. Until the financial assets are derecognized, at which time the cumulative gain or loss is charged to profit or loss.

a) Debt instruments at amortized cost

The debt instrument investments held by the Bank and subsidiaries shall be measured at amortized cost if both of the following conditions are met:

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

The Bank and subsidiaries, whose business model is to hold assets in order to collect contractual cash flows, may sell financial assets when there is an increase in the assets' credit risk. Sales made for other reasons may be consistent with a business model whose objective is to hold financial assets in order to collect contractual cash flows if those sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent). For debt instruments measured at amortized cost, the effective-interest-rate method shall be used to calculate amortized cost and interest revenue. Credit-impaired loss shall be recognized for assets measured at amortized cost. If, in a subsequent period, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The carrying amount after the reversal shall not exceed the recoverable amount.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

b) Securities under repurchase/resell agreements

Securities sold/purchased with a commitment to repurchase/resell at predetermined price are treated as financing transactions. The difference between the cost and the repurchase/resell price is treated as interest expenses/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under resell agreements.

c) Loans and receivables

At initial recognition, loans and receivables include incremental direct transaction costs, and the subsequent measurement recognizes interest revenues through the effective interest method on accrual basis, under which the loans and receivables are carried at amortized cost less impairment losses. Loans are reclassified as a non-accrual account if either of the following conditions is met, and interest collected while accruing of interest has been suspended is included in earnings only to the extent of cash actually received.

- Collection of payment of principal or interest accrued is considered highly unlikely; or
- Payment of principal or interest accrued is over 3 or 6 months past due; or
- Payment of principal, interest accrued and other suspense account of credit card is over 90 days past due.

Loans and receivables are assessed on each reporting day and the credit risk of loans and receivables have been significantly increased since the initial recognition. Comparing the risk of breach of contract on the reporting date and the original date of recognition, and considering the credit risk from the original recognition, the significant increase of reasonable and verifiable information as a basis for the estimation of default risk and expected loss rate. In accordance with the expected credit losses and with reference to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans” and relevant regulations issued by the FSC. The provision will be determined based on the higher of the amount calculated in accordance with regulatory requirements.

Nonaccrual accounts deemed uncollectible are written off upon approval of the board of directors. The recovery of written-off loans and accounts receivable is accounted for under the reversal of the allowance for credit losses.

Off-balance-sheet loan commitments and financial guarantee contracts should be evaluated for the possibility of bad debts and the provisions of guarantee or financial commitments should be recognized.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Financial asset impairment

The Bank and subsidiaries should consider the past events, the current situation and the forecast of future economic conditions, to identify whether the credit risk of financial instruments has significantly increased since the initial recognition; After the credit risk has increased significantly, these financial instruments should be recognized lifetime expected credit loss; If there is no significant increase in credit risk after recognition, the impairment loss should be measured against the 12-month expected credit loss. For the judgment and forward-looking adjustment method after the recognition of whether the credit risk has increased significantly, please refer to Note 6(ao).

5) Derecognition of financial assets

The Bank and subsidiaries shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Bank and subsidiaries transfer substantially all the risks and rewards of ownership of the financial assets.

Securities lending agreement or repurchase transactions, where bonds or stocks are taken as collateral, shall not be derecognized, because the Bank and subsidiaries have retained substantially all the risks and rewards of ownership. The transaction of asset-backed securitization applies to such situation when the Bank and subsidiaries still retain partial risks.

6) Reclassification of financial assets

The Bank and subsidiaries reclassify all affected financial assets in accordance with regulations only when changing the business model of managing financial assets.

(ii) Financial liabilities

Financial liabilities held by the Bank and subsidiaries include financial liabilities measured at fair value through profit or loss (including the instruments designated as at fair value through profit or loss), financial liabilities measured at amortized cost and hedge derivatives.

1) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, if one of the following conditions is met:

- a) A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as a instrument held for trading as well. Financial liabilities held for trading include obligations to deliver financial assets borrowed by a short seller.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- b) A financial liability designated as measured at fair value through profit or loss on initial recognition, except that designated as a hedged item in accordance with the hedge accounting.

Financial liabilities falling under this category are measured at fair value in the balance sheet at the balance sheet date. Moreover, the changes in fair value are recognized as current profit or loss. While for financial liabilities designated at fair value through profit or loss, its fair value changed in the liability's credit risk should be recognized under other comprehensive income, except for avoiding accounting mismatch or in the circumstances of loan commitments and financial guarantee contract to provide a loan that should be accounted as current profit or loss.

Under certain circumstances, the Bank and subsidiaries may not recognize profit or loss of a financial asset or a financial liability at initial recognition, if a fair value is not derived from a quoted market price in an active market and is based on the evaluation method with data retrieved from unobservable market. In the above scenario, the recognition of the difference between fair value at initial recognition and transaction price is deferred. After initial recognition, the entity shall recognize the aforesaid deferred difference as a gain or a loss only to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability.

- 2) Financial liabilities measured at amortized cost

Financial liabilities are classified at financial liabilities measured at amortized cost, except for financial liabilities measured at fair value through profit or loss, hedged derivatives financial liabilities, financial bonds payable, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

- 3) Derecognition of a financial liability

The Bank and subsidiaries shall remove a financial liability from its statement of financial position when, and only when, it is extinguished.

- 4) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities will be offset and recognized in the net amount on the balance sheet only when the Bank and subsidiaries have statutory rights to offset and intend to net settle or realize assets and to pay off liabilities at the same time.

- 5) The Bank and subsidiaries shall not reclassify any financial liability.

- (iii) Derivatives and hedging accounting

Derivative instruments are initially recognized at fair value on contract date and subsequently measured at fair value. Fair value includes quoted price in an active market, occurring market transaction prices or model valuation technique. All derivatives instruments are recognized as assets with positive fair value and as liabilities with negative fair value.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Bank and subsidiaries should account for financial liabilities embedded in derivatives if the economic characteristics and risks of the embedded derivatives are closely related to the economic characteristics of the host contract. If not, the host contract is not a financial liability that is measured at fair value through profit or loss. Unless choosing to designate an overall hybrid contract to measure financial liabilities at fair value through profit or loss, the Bank and subsidiaries should recognize the host contract and embedded derivatives separately. In addition, the embedded derivative is recognized as a financial liability as measured at fair value through profit or loss.

When a fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation are in conformity with all the conditions for applying hedge accounting, the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items. The related accounting treatments are as follows:

- 1) Fair value hedge: Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments against the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment are recognized through profit or loss in the current period.
- 2) Cash flow hedge: Where a derivative financial instrument is designated as a hedge of the variability in cash flow of a recognized asset or liability or a highly probable forecast transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognized directly under other comprehensive income. When the hedged transaction actually affects the profit or loss, the gain or loss previously recognized under other comprehensive income shall be recognized through current profit or loss. Any gain or loss from the change in fair value relating to an ineffective portion of the hedge transaction is recognized immediately through profit or loss in the current period.
- 3) Hedge of a net investment in a foreign operation: The effective portion of any gain or loss on a hedging instrument relating to a hedge against foreign currency fluctuation in a foreign operation is recognized directly in other comprehensive income until the disposal of the foreign operation, at the time which the cumulative gain or loss recognized directly under other comprehensive income is recognized in profit or loss in the current period.

(iv) Financial guarantee contracts

The Bank and subsidiaries recognize financial guarantee liabilities initially at their fair value at the date of providing guarantee. The Bank and subsidiaries receive commission income with non-arm's-length transaction at contract date; this is, the income could represent the fair value of financial guarantee contract. The advanced service fee is recognized as a deferred item and amortized by straight-line method over the life of the financial guarantee.

Financial guarantee contracts shall be subsequently measured by the Bank and subsidiaries at the higher of:

- 1) The amount determined in accordance with "Provisions"; and
- 2) The amount initially recognized less, when appropriate, cumulative amortization recognized from deferred revenues.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Investment properties

Investment properties could be recognized by the Bank and subsidiaries only to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use by the Bank and subsidiaries. If these portions could be sold separately, the Bank and subsidiaries account for the portions separately. The portion that is held for use is treated following “Premises and equipment”, and another portion that is held to earn rentals or for capital appreciation or both is regarded as investment property. If the portions could not be sold separately, and if an insignificant portion is held for use, then the whole property is regarded as investment property.

Investment property shall be recognized as an asset when, and only when it is probable that the future economic benefits that are associated with the investment property will flow to the Bank and subsidiaries, and the cost of the investment property can be measured reliably. Subsequent expenditure is capitalized as cost only when it is probable that the future economic benefits that are associated with the investment property will flow to the Bank and subsidiaries, and the cost of the investment property can be measured reliably. Regular repair costs are recognized as expenses in the period they are incurred.

If the recognition criteria are met, the Bank and subsidiaries recognize the cost of replacement in the carrying amount of the replaced investment property at the time the cost is incurred. The carrying amount of the part that is replaced is derecognized.

After initial recognition, real estate property is subsequently measured by cost model, and amortized by the depreciable amount. Its depreciation method, useful life and residual value can be referred to the regulation of premises and equipment.

When the use of a property changes such that it is reclassified as premises and equipment, the book value at the date of reclassification becomes its cost for subsequent accounting.

(h) Non-financial asset impairment

At each balance sheet date, the recoverable amount of an asset is estimated and compared with the carrying amount whenever there is an indication that the non-financial asset may be impaired. An impairment loss is recognized when the recoverable amount, higher of fair market value or value in use, is less than the carrying amount. For assets other than goodwill, a reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Assets held for sale

For an asset or a disposal group to be classified as held for sale, it needs to be disposed through sale rather than through continuing use to recover its carrying amount. Assets or disposal groups that meet the criteria to be classified as such must be subject only to terms that are usual and customary and be available for immediate sale, which is highly probable, within one year of such classification. After being classified as held for sale, it is measured at the lower of carrying amount and fair value less costs to sell.

Amortization or depreciation on intangible assets, premises and equipment ceases once they are classified as held for sale.

(j) Investments in associates

Investments in associates in which the Bank or its subsidiaries are able to exercise significant influence and subsidiaries the Bank has control over are accounted for under the equity method and initially recognized at cost. Goodwill, deducting accumulated impairment loss, related to an associate is included in the carrying amount of the investment. The equity method discontinues to be used from the date when it ceases to have significant influence, and the book value is taken as the new cost of the investment.

The Bank or its subsidiaries have significant influence if holding, directly or indirectly 20% or more of the voting right of the investee. However, an exception will apply if the Bank or its subsidiaries can specify that it has no significant influence over an investee.

After the date of acquisition the Bank or its subsidiaries' share of the profit or loss of the associates is recognized in profit or loss. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment may also be necessary for changes in the Bank or its subsidiaries' proportionate interest in the associates arising from changes in the associates' other comprehensive income. If the Bank or its subsidiaries' share of losses of an associate equals or exceeds their interest in the associate (including non-guarantee long-term receivables), the Bank or its subsidiaries discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Bank or its subsidiaries has incurred legal or constructive obligations or made payments on behalf of the associate.

Changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances the carrying amounts of the parent's ownership interest and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity.

(k) Interest in joint ventures

The joint agreements include joint operations and joint ventures, and have the following characteristics:

- (i) The parties are bound by a contractual arrangement;
- (ii) The contractual arrangement gives two or more of those parties joint control of the arrangement.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Bank or its subsidiaries distinguish between joint operations and joint ventures by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. In joint operations, the Bank or its subsidiaries account for its share of the joint assets, liabilities, revenues and expenses in accordance with the contractual arrangement. In joint ventures, the Bank or its subsidiaries account for its investment using the equity method.

(l) Cash surrender value of life insurance

The Bank's U.S. subsidiary purchased single-premium life insurance under which the executive officers and directors are the insured, while the subsidiary is the owner and beneficiary thereof. The cash surrender value indicates the amount that would be received if the life insurance is terminated prior to the maturity date, and is accounted for under "other assets."

(m) Premises and equipment

The Bank and subsidiaries' premises and equipment are recognized after deducting any accumulated depreciation and accumulated impairment losses from historical cost. The historical cost includes any costs directly attributable to acquiring the assets.

Subsequent expenditure of premises and equipment shall be recognized as an asset or be included in the carrying amount of assets, when, and only when it is probable that the future economic benefits that are associated with premises and equipment will flow to the Bank or its subsidiaries, and the cost of premises and equipment can be measured reliably. The carrying amount of those parts that are replaced is derecognized. A major improvement or repair expense that can extend the benefits over afterward period is regarded as capital expenditure; while frequent maintenance or repairs are charged to current expenses.

If the Bank and subsidiaries have obligations to dismantle, remove and restore the premises and equipment, the obligation for which the Bank and subsidiaries incur either when the item is acquired or as a consequence of having used the item during a particular period shall be recognized as the cost of the premises and equipment as well as a liability.

Depreciation is computed using the straight-line method; the useful lives are calculated based on the normal economic lives. Each part of an item of premises and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The residual value and the useful life of an asset shall be reviewed or adequately adjusted at each financial year-end. Useful lives of major premises and equipment are as follows:

Buildings and premises	2~56 years
Transportation equipment	4~6 years
Miscellaneous equipment	2~20 years

The gain or loss arising from the disposition of an item of premises and equipment shall be recognized in current profit or loss and determined as the difference between the disposal proceeds and the carrying amount of the item.

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Intangible assets

(i) Computer software

Computer software system expenses, which are recorded on the basis of the actual cost of acquisition, are amortized using a straight-line method over a period of 3 to 15 years. Its amortization method, useful life and residual value are referred to the regulation of properties and equipment. The Bank and subsidiaries use cost model to proceed subsequently measurement.

(ii) Goodwill

The Bank and subsidiaries account a business combination by applying the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities assumed by the acquirer and the equity interests issued by the acquirer. In addition, other expense directly contributed to the acquisition is included. The acquirer shall measure the identifiable assets acquired from business combination and the liabilities or contingent liabilities assumed at their acquisition-date fair values without considering non-controlling interest. The acquirer shall recognize goodwill as of the acquisition date measured as the excess of the consideration transferred over the fair value of net identifiable assets held according to holding proportion. Adversely, the difference may result in directly recognizing a gain on a purchase.

Goodwill relating to cash-generating units is tested for impairment periodically each year. An impairment loss is recognized when the recoverable amount is less than the carrying amount. Impairment losses cannot be reversed once an impairment loss has been recognized.

(o) Leases

(i) Identifying a lease

At inception of a contract, the Bank and subsidiaries assess whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time.

(ii) As a lessor

The leases are classified as finance leases, if the Bank and subsidiaries transfer substantially the entire risks and rewards incidental to the ownership of the assets. Otherwise, the leases are classified as operating leases.

- 1) Operating lease: Lease payments or receivables under an operating lease shall be recognized in current profit or loss using a straight-line method over the lease term.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 2) Finance lease: As lessors, the Bank and subsidiaries shall derecognize assets held under a finance lease at contract date and recognize them as lease payment receivable at an amount equal to the present value of lease payments. The difference between gross amount and present value of lease payment receivables is recognized as unrealized interest income and transferred to interest income of current period on an accrual basis. Lease revenue is calculated based on the interest rate implicit in the lease on the remaining balance of lease payment receivables and recognized in current profit or loss over the lease term.

(iii) As a lessee

The Bank and subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date. The initial amount of the right-of-use asset comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Refer to “Premises and equipment” for the review of useful life and the impairment assessment policy.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or the Bank and subsidiaries’ incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- 1) Fixed payments, including payments that may, in form, contain variability but that, in substance, are unavoidable.
- 2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) Amounts expected to be payable under a residual value guarantee; and
- 4) Amounts expected for the exercise price under a purchase option, lease payments under an extension option, and penalties for early termination, if the Bank and subsidiaries are reasonably certain to exercise or early terminate.

The lease liability is measured by the effective interest method to recognize the interest expense, and remeasured to reflect the changes as follows:

- 1) The lease term changes;
- 2) The future lease payments change to reflect a change in an index or rate; or
- 3) If there is a change in the Bank and subsidiaries’ estimate of the amount expected to be payable under a residual value guarantee, or if the Bank and subsidiaries change its assessment of whether it will exercise a purchase, extension or termination option.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
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When the lease liability is remeasured to reflect above changes, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank and subsidiaries don't recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank and subsidiaries recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(p) Foreclosed properties

Foreclosed properties received are stated at acquired cost, and the difference between it and the nominal value of the original claim is reflected as a credit loss. On the balance sheet date, if the foreclosed properties received are still unsold, they shall be evaluated at the lower of carrying amount and net fair market value. If there is sufficient evidence indicating that the net fair market value is lower than the carrying amount of foreclosed properties, the difference after reassessment is accounted for under impairment loss on assets. Gain or loss on disposal of foreclosed properties is recognized in current profit or loss as well.

(q) Provisions

The Bank and subsidiaries recognize provisions only if all of the following conditions are met:

- (i) An entity has a present, legal or constructive obligation, as a result of a past event;
- (ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (iii) A reliable estimate can be made of the amount of the obligation.

The Bank and subsidiaries shall not recognize provisions for future operating losses.

Where there are a number of similar obligations the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized.

The amount of a provision is measured subsequently as the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The deficiency is recognized as profit or loss of the current period.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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(r) Revenue recognition

The Bank and subsidiaries' incomes are recognized on an accrual basis. Please refer to Note 4(f)(i)3 for more information on interest income from receivables and loans.

(s) Employee benefit

(i) Short-term employee benefit: The Bank or its subsidiaries expect to settle all short-term non-discounted benefits in 12 months after the end of annual financial reporting date in which the services are rendered by employees, and recognize as current expenses.

(ii) Post-employment benefit: The Bank and subsidiaries' pension plan comprises defined contribution plan and defined benefit plan.

1) A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

2) A defined benefit plan is a post-employment benefit plan under which benefit is paid to an employee on the basis of their ages, service periods and compensated salaries at the date of retirement. The Bank recognizes remeasurements of the defined benefit plan which are incurred by the change of actual experience and actuarial assumption in other comprehensive income, and recognize pension asset or liability in balance sheet in which asset or liability is the amount of actuarial present value of defined benefits obligation deducting fair value of plan assets. The calculation of defined benefits obligation is performed annually by an actuary using the projected unit credit method. The actuarial present value of defined benefits obligation is calculated by discounting future cash flow at the yield rate on AA credit rated bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. In accordance with the article 30 of the Regulations Governing the Preparation of Financial Reports by Public Bank's, when the interest incurred from retiree deposits with favorable rates exceed the interest generated from market rate, it should be considered the actuarial amount according to defined benefit plan regulated on IAS 19 "Employee Benefits" since the employee's retirement date. Otherwise, the parameter of actuarial assumption of competent authority should be followed (if have). The interim amount of defined benefit plan is determined based on the pension cost rate, which is the actuarial rate at the end of last fiscal year, and the amount, which is from the beginning of the year to the end of current period. In addition, an adjustment would be made if significant market fluctuation, significant decrease, pay-off or other significant one-time event occurs after the end of period.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 3) The defined contribution plan of overseas unit is in accordance with respective authorities' regulation.
- (iii) Termination benefits: Termination benefits are incurred when the Bank or its subsidiaries terminate employment prior to qualifying for retirement, or the employees accepted voluntary redundancy to get termination benefits in return. Termination benefits are recognized as a liability when the Bank and subsidiaries are committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to provide termination benefits or make an offer of termination benefits to encourage voluntary redundancy. Termination benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.
- (t) Share based payment transactions

The Bank's accounting treatments of share-based payment are as below.

- (i) Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, and the corresponding increase in owners' equity is recognized. The vesting period is estimated based on the ultimate vesting conditions that must be satisfied. The vesting conditions include service conditions and performance conditions, including market conditions. In valuing equity-settled payments, no account is taken of any vesting conditions other than market conditions.
- (ii) For cash-settled share-based payment transactions, a liability equal to the portion of the goods or services received is recognized at its current fair value determined at each balance sheet date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period.
- (iii) Fair value of the share options at the grant date is measured with the use of an option pricing model based on management's best estimate of the exercise price, expected term, underlying share price, expected volatility, expected dividend yield, risk-free interest rate, and any other inputs to the model.
- (u) Compensations of employees and directors

The Bank's employees' and directors' (including independent directors) compensations are recognized as personnel expenses. Any difference lies between the actual allocation amount and the amount previously recognized in the financial report is considered as change in accounting estimates which is then recognized as profit or loss in next year.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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(v) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss. Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the years calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years. Income tax expense is measured by interim reporting period net income before tax multiplied by best estimate effective annual tax rate. And the best estimate effective annual tax rate is determined by the management. Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities may be offset against each other if the following criteria are met by the Bank and subsidiaries:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

As a subsidiary of CTBC Financial Holding Co., Ltd., the Bank files a consolidated corporate income tax return with its parent company and subsidiaries. The difference between the consolidated income tax and the Bank's ordinary income tax is adjusted at the parent-company level, and the Bank recognizes such difference as payables or receivables.

(w) Contingent liabilities

A contingent liability is defined as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or its subsidiaries; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Bank and subsidiaries shall not recognize a contingent liability; instead, contingent liability shall be appropriately disclosed.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(x) Operating segments

An operating segment is a component of the Bank and subsidiaries that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank and its affiliates). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

The prime responsibility of the Bank's parent company CTBC Financial Holding Co., Ltd. is the management of its subsidiaries, whose operational performance and resource allocation are executed under board approval of the parent company. The Bank and subsidiaries periodically report actual financial results to the Group's Management Board, and thereby leading to its role as the chief operating decision maker.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

When preparing the consolidated financial reports in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Financial Report Standards (IFRSs) endorsed by the FSC, the management needs to make judgments, estimates, and assumptions that affect the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

The management should continuously evaluate the estimates and assumptions. Changes in accounting estimates are recognized at the occurrence and the impacted future periods.

Please refer to the following for accounting policies and management judgments which have significant impacts on the financial statements of the Bank and subsidiaries.

(a) Impairment of financial assets

The impairment of financial assets of the Bank and subsidiaries is recognized as the 12-month expected credit loss or the lifetime credit loss by identifying whether the credit risk of financial instruments has been significantly increased since the initial recognition. To evaluate the expected credit losses for 12-month and lifetime, the Bank and subsidiaries consider the default probability (Probability of default, "PD") of financial assets or issuers or counterparties, and loss given default rate ("LGD") multiplying the exposure at default ("EAD"), taking into account the time value of money as well evaluate 12-month and lifetime loss. The Bank and subsidiaries consider historical experiences, current market conditions and forward-looking estimates to decide the assumptions and input values to be used in determining the impairment loss. For the details of the relevant assumptions and input values, please refer to Note 6(ao).

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Assessment of goodwill impairment

Assessment of goodwill impairment depends on subjective judgment by the Bank and subsidiaries, including identifying cash-generating units, allocating goodwill to related cash generating units, and deciding recoverable amount of related cash generating units. The management of the Bank and subsidiaries shall estimate the expected future cash flow from cash generating units and decide proper discount rate for calculating present value. If the actual cash flow is less than expected, significant impairment losses may incur.

(c) Assessment of the fair value of financial instruments

The Bank and subsidiaries hold certain financial instruments without active markets, including financial instruments lacking active market quotes and financial instruments that turned out to be inactive due to market conditions (e.g., low market liquidity). When a market is inactive, there are usually only a few or no observable market data available to measure the fair value of financial instruments. Determination of the existence of an active market for a financial instrument requires management's judgement. If the market for an investment held by the Bank and subsidiaries are not active, the fair value of the instrument is determined using valuation techniques. The Bank and subsidiaries use quotes from independent third parties or prices derived from internally developed models to determine the fair value of those financial instruments. When the fair value may be publicly obtained from independent sources it shall be adopted first. Overall, the Bank and subsidiaries would decide a source or a technique as a fair value determination method that can reflect the price achieved between market participants through regular trading as of the reporting date. Valuation techniques include adoption of recent arm's-length transactions, reference to other instruments with a substantially identical basis, application of discounted cash flow analysis, etc., which may also include a number of assumptions related to each variable (such as credit risk and interest rate). Adoption of different valuation techniques or assumptions may lead to significant discrepancies in fair value determination results.

Please refer to Note 6(ao) for the estimated fair value of the above financial instruments.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Cash on hand	\$ 29,395,037	33,524,378
Petty cash and revolving fund	21,941	21,828
Checks for clearance	2,039,159	1,820,385
Cash in transit	3,513,291	3,020,210
Due from other banks	27,923,366	32,745,318
Cash equivalents	48,244	-
Total	<u>\$ 62,941,038</u>	<u>71,132,119</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Due from Central Bank and call loans to banks

	December 31, 2020	December 31, 2019
Required reserve—Account A	\$ 106,708,570	50,558,617
Required reserve—Account B	64,989,171	58,129,287
Required reserve—Foreign Currency	840,986	316,113
Due from Central Bank	133,389,143	90,901,828
Call loans to banks	51,992,611	50,845,213
Total	\$ 357,920,481	250,751,058

The reserves for deposits are calculated at prescribed rates, using the average monthly balances of various deposit accounts, and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposits in “Required reserve—Account A” are interest free and can be withdrawn at any time; deposits in “Required reserve—Account B” are interest bearing and cannot be withdrawn except for the monthly adjustment to the required reserve permitted by relevant regulations.

Please refer to Note 8 for information with regard to the restrictions on the due from Central Bank and call loans to banks shown above.

(c) Financial instruments measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss of the Bank and subsidiaries were as follows:

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss		
Commercial paper	\$ 119,561,419	96,066,860
Negotiable certificates of deposits	1,000,000	842,030
Treasury bills	29,214	445
Government bonds	3,577,571	789,520
Corporate bonds	4,988,425	5,363,529
Convertible bonds	1,567,940	-
Financial debentures	793,033	3,003,981
Stocks	734,574	1,795,897
Beneficiary certificates	527,367	522,245
Derivative financial assets	61,106,422	60,223,960
Valuation adjustment of financial assets	516,308	79,837
Total	\$ 194,402,273	168,688,304

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Please refer to Note 6(t) for information with regard to repurchase conditions for financial assets measured at fair value through profit or loss shown above.

Financial liabilities measured at fair value through profit or loss of the Bank and subsidiaries were as follows:

	December 31, 2020	December 31, 2019
Derivative financial liabilities	\$ 63,041,830	72,834,151
Financial liabilities designated at fair value through profit or loss	14,475,274	41,068,313
Total	\$ 77,517,104	113,902,464

The aforementioned financial liabilities designated at fair value through profit or loss were issued by the Bank, with the related terms and conditions disclosed in Note 6(w). The amounts of fair value and its changes which were attributable to changes in the credit risk were as follows:

	December 31, 2020	December 31, 2019
Financial debentures at fair value	\$ 14,475,274	41,068,313
Cumulative changes in fair value that is attributable to changes in the credit risk	90,364	(1,086,384)
The difference between book value and the amount payable upon maturity as specified in the contract	(734,418)	2,344,539

The Bank assesses changes in fair value that was not attributable to changes in market conditions that give rise to swing of market risk to evaluate changes in fair value due to shift of credit risk. For the years ended December 31, 2020 and 2019, there was no transfer of the cumulative gain or loss within equity.

The fair value of the callable financial debentures issued by the Bank was evaluated based on the internal evaluation model, with evaluation variables retrieved from parameters unobservable in the market. In consideration of the discrepancy between evaluated price and transaction price, the Bank has recognized reserve for day one profits. The changes in reserve for day one profits were as follows:

	For the years ended December 31	
	2020	2019
Beginning balance	\$ 910,293	1,430,916
Current decrease	(840,894)	(503,877)
Foreign exchange gains	(10,206)	(16,746)
Ending balance	\$ 59,193	910,293

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Financial assets measured at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Debt investments measured at fair value through other comprehensive income		
Negotiable certificates of deposits	\$ 4,030,282	3,730,735
Treasury bills	2,425,241	2,708,389
Government bonds	74,401,518	79,114,620
Corporate bonds	24,788,998	16,398,938
Financial debentures	148,595,171	146,517,077
Asset-backed securities	64,108,042	51,716,667
Other securities and bonds	12,230,343	3,220,502
Valuation adjustment of financial assets	3,600,614	2,131,314
Subtotal	334,180,209	305,538,242
Equity investments measured at fair value through other comprehensive income		
Stocks	15,937,213	13,531,709
Beneficiary certificates	502,586	474,056
Valuation adjustment of financial assets	2,213,633	1,006,297
Subtotal	18,653,432	15,012,062
Total	\$ 352,833,641	320,550,304

The changes in allowance for credit losses attributed to the financial assets above were as follows:

	For the year ended December 31, 2020					
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 55,789	-	-	-	-	55,789
Changes in financial instruments that have been identified at the beginning of the period:						
– The financial assets that have been derecognized	(22,927)	-	-	-	-	(22,927)
New financial assets originated or purchased	24,964	-	-	-	-	24,964
Foreign exchange and other movement	(5,125)	-	-	-	-	(5,125)
Ending balance	\$ 52,701	-	-	-	-	52,701

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 69,280	-	-	-	-	69,280
Changes in financial instruments that have been identified at the beginning of the period:						
– The financial assets that have been derecognized	(40,704)	-	-	-	-	(40,704)
New financial assets originated or purchased	31,382	-	-	-	-	31,382
Foreign exchange and other movement	(4,169)	-	-	-	-	(4,169)
Ending balance	<u>\$ 55,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,789</u>

For the years ended December 31, 2020 and 2019, the dividends of the Bank and subsidiaries related to equity investments at fair value through other comprehensive income were as follows:

	For the years ended December 31	
	2020	2019
Disposal in the reporting period	\$ 20,517	16,816
Amounts held by the end of the reporting period	839,169	807,821
Total	<u>\$ 859,686</u>	<u>824,637</u>

The Bank and subsidiaries disposed the equity investments measured at fair value through other comprehensive income based on investment consideration for the years ended December 31, 2020 and 2019. The losses of disposal were recognized in Retained Earnings. The information of fair value at the date of derecognition and losses on disposal was as follows:

	The fair value at the date of derecognition		Losses on disposal	
	For the years ended December 31,		For the years ended December 31,	
	2020	2019	2020	2019
Stocks	<u>\$ 748,257</u>	<u>664,856</u>	<u>(209,064)</u>	<u>(129,730)</u>

Please refer to Notes 6(t) and 8 for information with regard to the repurchase conditions for, or restrictions on, financial assets measured at fair value through other comprehensive income shown above.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Investment in debt instruments at amortized cost

	December 31, 2020	December 31, 2019
Negotiable certificates of deposits	\$ 446,161,000	382,111,188
Treasury bills	17,037,050	7,454,154
Government bonds	183,668,849	177,874,988
Corporate bonds	63,119,897	55,998,220
Financial debentures	17,535,218	17,567,065
Asset-backed securities	47,539,839	50,230,010
Others	6,454,559	3,791,280
Less: Allowance for credit losses	<u>(49,686)</u>	<u>(31,433)</u>
Total	<u>\$ 781,466,726</u>	<u>694,995,472</u>

The changes in allowance for credit losses attributed to the above assets were as follows:

	For the year ended December 31, 2020					
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 26,917	-	4,516	-	-	31,433
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to lifetime ECL	(1,279)	204	1,075	-	-	-
– Transfer to the credit-impaired financial assets	-	-	(4,530)	4,530	-	-
– The financial assets that have been derecognized	(4,484)	-	-	-	-	(4,484)
New financial assets originated or purchased	7,377	-	-	-	-	7,377
Foreign exchange and other movement	1,615	2,725	8,658	2,362	-	15,360
Ending balance	<u>\$ 30,146</u>	<u>2,929</u>	<u>9,719</u>	<u>6,892</u>	<u>-</u>	<u>49,686</u>
	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 43,335	-	-	-	-	43,335
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to lifetime ECL	(4,955)	3,988	967	-	-	-
– The financial assets that have been derecognized	(2,854)	-	-	-	-	(2,854)
New financial assets originated or purchased	6,350	-	-	-	-	6,350
Foreign exchange and other movement	(14,959)	(3,988)	3,549	-	-	(15,398)
Ending balance	<u>\$ 26,917</u>	<u>-</u>	<u>4,516</u>	<u>-</u>	<u>-</u>	<u>31,433</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Bank and subsidiaries derecognized investment in debt instruments measured at amortized cost for the mandatorily redemption of the bond issuers, and the purpose of fund management for the years ended December 31, 2020 and 2019. The information of the gains on disposal was as follows:

	Gains on disposal	
	For the years ended December 31	
	2020	2019
Government bonds	\$ 381	23,185
Corporate bonds	11,138	-
	\$ 11,519	23,185

Please refer to Notes 6(t) and 8 for information with regard to the repurchase conditions for, or restrictions on, investment in debt instruments measured at amortized cost shown above.

(f) Financial instruments – hedging

Hedging derivative financial assets of the Bank were as follows:

	December 31, 2020	December 31, 2019
Fair value hedge:		
Non-delivery forwards	\$ 16,394	33,196
Hedge of a net investment in a foreign operation:		
Currency swaps	-	297,568
Total	\$ 16,394	330,764

Hedging derivative financial liabilities of the Bank were as follows:

	December 31, 2020	December 31, 2019
Hedge of a net investment in a foreign operation:		
Currency swaps	\$ 211,672	37,437

(i) For the years ended December 31, 2020 and 2019, the hedging financial instruments of the Bank have no ineffective portion of hedging.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Fair value hedge

The Bank entered into non-delivery forwards; these contracts are principally to hedge against the foreign exchange fluctuation of capital of the international banking department.

<u>Hedged items</u>	<u>Financial instruments designated as hedging instruments</u>	<u>Designated hedging instruments</u>	
		<u>Fair value</u>	
		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Capital of international banking department in USD	Non-delivery forwards	\$ 16,394	33,196

The information of the Bank designated as the hedged items on December 31, 2020 and 2019:

	<u>The carrying amount of the hedged items</u>		<u>The cumulative amount of adjustment included in the carrying amount of the hedged item at fair value hedge</u>		<u>The separate line items of the hedged items included in the balance sheet</u>	<u>The change in the fair value of the ineffective portion of hedging items</u>	<u>Provision of cash flow hedge</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>			
	December 31, 2020						
Fair value hedge:							
Currency swaps	\$ 1,007,190	-	(9,410)	-	Cash and cash equivalents	-	-
December 31, 2019							
Fair value hedge:							
Currency swaps	\$ 1,094,470	-	(40,760)	-	Cash and cash equivalents	-	-

(iii) Hedge of a net investment in a foreign operation

In order to minimize the risk from overseas equity-method investments, the Bank entered into currency swaps to hedge against foreign exchange fluctuation.

<u>Hedged items</u>	<u>Financial instruments designated as hedging instruments</u>	<u>Designated hedging instruments</u>	
		<u>Fair value</u>	
		<u>December 31, 2020</u>	<u>December 31, 2019</u>
CTBC Bank Co., Ltd.-Ho Chi Minh City Branch	Currency swaps	\$ (317)	12,173
CTBC Capital Corp.	"	(38,745)	86,659
CTBC Bank Corp. (Canada)	"	(2,422)	143
The Tokyo Star Bank, Ltd.	"	(170,188)	161,156

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) The amounts applicable to the hedge accounting that affects the statements of comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	Recognized in other comprehensive income	Recognized in profit or loss of the ineffective portion of hedging	The separate line items of the hedged items included in the statements of comprehensive income	Provision of hedge reclassified to profit or loss		
				The hedged items no longer expected to occur and transfer	The hedged items have affected profit or loss and transferred	The separate line items affected by reclassification
December 31, 2020						
Hedge of net investment						
Currency swaps						
— Hedge of a net investment in a foreign operation	\$ 399,586	-	-	-	-	-
December 31, 2019						
Hedge of net investment						
Currency swaps						
— Hedge of a net investment in a foreign operation	\$ 228,897	-	-	-	-	-

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (v) The amount, timing and uncertainty of the aforementioned hedging instruments affecting the Bank's future cash flow were as follows:

	<u>Maturity date</u>				
	<u>Up to 1 month</u>	<u>1-3 months</u>	<u>3 months to 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
December 31, 2020					
Fair value hedge					
Non-delivery forwards					
Notional Amount	USD 15,000	USD 20,000	-	-	-
Range of FX(TWD/USD)	28.679~28.892	28.797			
Hedge of net investment					
Exchange transaction					
Notional Amount	USD 291,500	-	-	-	-
Range of FX(TWD/USD)	29.275~29.507				
Notional Amount	CAD 10,000	-	-	-	-
Range of FX(TWD/CAD)	22.120				
Notional Amount	JPY 52,970,726	-	-	-	-
Range of FX(TWD/JPY)	0.2729~0.2733				
	<u>Maturity date</u>				
	<u>Up to 1 month</u>	<u>1-3 months</u>	<u>3 months to 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
December 31, 2019					
Fair value hedge					
Non-delivery forwards					
Notional Amount	USD 15,000	USD 20,000	-	-	-
Range of FX(TWD/USD)	31.054~31.090	31.415			
Hedge of net investment					
Exchange transaction					
Notional Amount	USD 291,500	-	-	-	-
Range of FX(TWD/USD)	30.480~30.497				
Notional Amount	CAD 10,000	-	-	-	-
Range of FX(TWD/CAD)	23.120				
Notional Amount	JPY 52,970,726	-	-	-	-
Range of FX(TWD/JPY)	0.2782~0.2813				

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Securities purchased under resell agreements

	December 31, 2020	December 31, 2019
Securities purchased under resell agreements	<u>\$ 2,607,710</u>	<u>852,440</u>
Face value of securities	<u>\$ 2,610,300</u>	<u>852,440</u>

(h) Receivables — net

	December 31, 2020	December 31, 2019
Notes receivable	\$ 50,848	27,421
Accounts receivable	88,044,975	90,138,609
Accounts receivable factoring	22,255,471	16,424,280
Interest receivable	8,771,449	9,630,084
Acceptances receivable	13,692,006	11,592,297
Accrued income	31,273	38,745
Premium receivable	4,038,537	20,254,105
Other receivables	<u>6,553,975</u>	<u>12,745,969</u>
Subtotal	143,438,534	160,851,510
Less: Allowance for credit losses	<u>(2,178,747)</u>	<u>(2,261,948)</u>
Total	<u>\$ 141,259,787</u>	<u>158,589,562</u>

The accounts receivable shown above included the receivables from credit card holders who were involved in debt repayment negotiation with the Bank.

Please refer to Note 8 for information with regard to the restrictions on other receivables shown above.

Please refer to Note 6(j) for changes in allowance for credit losses of receivables listed above.

Please refer to Note 6(ao) for credit risk and market risk information listed above. Receivables of the Bank and subsidiaries should be included in impairment assessment, excluding that of credit card receivables, which is accounted for under provisions. Total receivables do not encompass investments in security-related and other receivables whose impairment assessments are consistent with corresponding assets.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Loans — net

	December 31, 2020	December 31, 2019
Corporate loans	\$ 582,500,640	578,203,183
Micro business loans	16,038,737	12,808,882
Mortgage loans	764,607,413	693,411,878
Automobile loans	169	229
Consumer loans	<u>175,301,158</u>	<u>128,946,061</u>
Subtotal of NTD loans	1,538,448,117	1,413,370,233
Foreign currency loans	961,107,648	1,029,578,390
Non-accrual loans	<u>11,217,457</u>	<u>8,126,855</u>
Subtotal	2,510,773,222	2,451,075,478
Less: Allowance for credit losses	(33,803,702)	(32,359,494)
Less: Adjustment of discount and premium	<u>(1,031,443)</u>	<u>(1,024,804)</u>
Total	<u>\$ 2,475,938,077</u>	<u>2,417,691,180</u>

The loans shown above included the loans to cash card holders and fiduciary loans to clients who were involved in debt repayment negotiation with the Bank.

Please refer to Note 6(ao) for the industry information.

Non-performing loans of the Bank and subsidiaries were as follows:

	December 31, 2020	December 31, 2019
Non-performing loans	<u>\$ 12,427,569</u>	<u>8,369,430</u>

Suspended interest on non-accrual loans of the Bank and subsidiaries were as follows:

	For the years ended December 31	
	2020	2019
Suspended interest on non-accrual loans	<u>\$ 114,632</u>	<u>139,045</u>

For the years ended December 31, 2020 and 2019, there were no loans written off without recourse.

Please refer to Note 6(j) for changes in allowance for credit losses of loans listed above.

Please refer to Note 6(ao) for credit risk and market risk information listed above.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Allowance for credit losses

The changes in allowance for credit losses, attributed to loans, receivables, other financial assets, and financing guarantee etc., were as follows:

(i) Receivables

For the year ended December 31, 2020								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans”	Total
Beginning balance	\$ 661,783	87,685	4,792	1,207,499	5	1,961,764	300,184	2,261,948
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(8,060)	8,954	17	(911)	-	-	-	-
— Transfer to the credit-impaired financial assets	(38,285)	(58,786)	(250)	97,321	-	-	-	-
— Transfer to 12-month ECL	89,750	(19,724)	-	(70,026)	-	-	-	-
— The financial assets that have been derecognized	(33,960)	(3,307)	(4,557)	(55,579)	(3)	(97,406)	-	(97,406)
New financial assets originated or purchased	119,389	18,900	1,131	23,309	-	162,729	-	162,729
Additional provision of impairment in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans”	-	-	-	-	-	-	107,269	107,269
Write-offs	-	-	-	(719,434)	-	(719,434)	-	(719,434)
Recoveries of amounts previously written off	-	-	-	833,454	-	833,454	-	833,454
Foreign exchange and other movement	(146,268)	68,542	348	(292,434)	(1)	(369,813)	-	(369,813)
Ending balance	<u>\$ 644,349</u>	<u>102,264</u>	<u>1,481</u>	<u>1,023,199</u>	<u>1</u>	<u>1,771,294</u>	<u>407,453</u>	<u>2,178,747</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 663,699	93,910	-	1,502,492	12	2,260,113	345,971	2,606,084
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(6,475)	6,940	27	(492)	-	-	-	-
— Transfer to the credit-impaired financial assets	(38,573)	(62,478)	-	101,051	-	-	-	-
— Transfer to 12-month ECL	34,826	(24,521)	-	(10,305)	-	-	-	-
— The financial assets that have been derecognized	(52,981)	(4,063)	-	(313,176)	(6)	(370,226)	-	(370,226)
New financial assets originated or purchased	127,079	15,936	795	51,891	-	195,701	-	195,701
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non- accrual Loans"	-	-	-	-	-	-	(45,787)	(45,787)
Write-offs	-	-	-	(775,923)	-	(775,923)	-	(775,923)
Recoveries of amounts previously written off	-	-	-	844,286	-	844,286	-	844,286
Foreign exchange and other movement	(65,792)	61,961	3,970	(192,325)	(1)	(192,187)	-	(192,187)
Ending balance	<u>\$ 661,783</u>	<u>87,685</u>	<u>4,792</u>	<u>1,207,499</u>	<u>5</u>	<u>1,961,764</u>	<u>300,184</u>	<u>2,261,948</u>

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Loans

For the year ended December 31, 2020								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 5,022,634	533,670	330,282	8,830,403	145,535	14,862,524	17,496,970	32,359,494
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(79,819)	96,762	14,407	(30,573)	(777)	-	-	-
— Transfer to the credit-impaired financial assets	(135,928)	(157,076)	(110,812)	403,806	10	-	-	-
— Transfer to 12-month ECL	237,273	(101,388)	(751)	(135,134)	-	-	-	-
— The financial assets that have been derecognized	(1,435,292)	(221,237)	(198,424)	(671,052)	(5,786)	(2,531,791)	-	(2,531,791)
New financial assets originated or purchased	2,139,068	268,529	31,068	1,540,885	6,735	3,986,285	-	3,986,285
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	-	-	-	-	-	-	1,101,450	1,101,450
Write-offs	(850)	(4,750)	-	(8,609,867)	(100,964)	(8,716,431)	-	(8,716,431)
Recoveries of amounts previously written off	1,083	-	-	1,344,849	-	1,345,932	-	1,345,932
Foreign exchange and other movement	(277,493)	580,205	230,599	5,732,306	(6,854)	6,258,763	-	6,258,763
Ending balance	<u>\$ 5,470,676</u>	<u>994,715</u>	<u>296,369</u>	<u>8,405,623</u>	<u>37,899</u>	<u>15,205,282</u>	<u>18,598,420</u>	<u>33,803,702</u>
For the year ended December 31, 2019								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 5,523,107	706,109	10,634	7,767,965	55,056	14,062,871	15,928,758	29,991,629
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(63,228)	43,861	31,362	(9,343)	(2,652)	-	-	-
— Transfer to the credit-impaired financial assets	(136,521)	(192,139)	(10,940)	339,489	111	-	-	-
— Transfer to 12-month ECL	208,969	(144,614)	-	(64,355)	-	-	-	-
— The financial assets that have been derecognized	(1,552,422)	(267,743)	(384)	(781,368)	(3,246)	(2,605,163)	-	(2,605,163)
New financial assets originated or purchased	2,191,542	143,044	128,819	2,206,810	103,090	4,773,305	-	4,773,305
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	-	-	-	-	-	-	1,568,212	1,568,212
Write-offs	(20,438)	(12,461)	(3,085)	(4,249,446)	(240)	(4,285,670)	-	(4,285,670)
Recoveries of amounts previously written off	1,647	-	-	1,220,985	-	1,222,632	-	1,222,632
Foreign exchange and other movement	(1,130,022)	257,613	173,876	2,399,666	(6,584)	1,694,549	-	1,694,549
Ending balance	<u>\$ 5,022,634</u>	<u>533,670</u>	<u>330,282</u>	<u>8,830,403</u>	<u>145,535</u>	<u>14,862,524</u>	<u>17,496,970</u>	<u>32,359,494</u>

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Short term advances, non-accrual loans and others

	For the year ended December 31, 2020							Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Nonperforming/ Non-accrual Loans"		
Beginning balance	\$ 12,743	52	-	169,237	-	182,032	3,103	185,135	
Changes in financial instruments that have been identified at the beginning of the period:									
— Transfer to lifetime ECL	-	124	-	(124)	-	-	-	-	
— Transfer to the credit-impaired financial assets	-	(15)	-	15	-	-	-	-	
— Transfer to 12-month ECL	1,428	(2)	-	(1,426)	-	-	-	-	
— The financial assets that have been derecognized	(4,221)	(35)	-	(47,039)	-	(51,295)	-	(51,295)	
New financial assets originated or purchased	2,301	19	-	37,496	-	39,816	-	39,816	
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	-	-	-	-	-	-	960	960	
Write-offs	-	-	-	(112,098)	-	(112,098)	-	(112,098)	
Recoveries of amounts previously written off	-	-	-	354	-	354	-	354	
Foreign exchange and other movement	(3,693)	(71)	-	99,712	-	95,948	-	95,948	
Ending balance	<u>\$ 8,558</u>	<u>72</u>	<u>-</u>	<u>146,127</u>	<u>-</u>	<u>154,757</u>	<u>4,063</u>	<u>158,820</u>	
	For the year ended December 31, 2019								
							Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"		
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Nonperforming/ Non-accrual Loans"	Total	
Beginning balance	\$ 21,328	39	-	122,857	-	144,224	3,472	147,696	
Changes in financial instruments that have been identified at the beginning of the period:									
— Transfer to the credit-impaired financial assets	-	(12)	-	12	-	-	-	-	
— Transfer to 12-month ECL	1,101	(3)	-	(1,098)	-	-	-	-	
— The financial assets that have been derecognized	(4,672)	(23)	-	(8,231)	-	(12,926)	-	(12,926)	
New financial assets originated or purchased	5,760	13	-	46,990	-	52,763	-	52,763	
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	-	-	-	-	-	-	(369)	(369)	
Write-offs	-	-	-	(84,039)	-	(84,039)	-	(84,039)	
Recoveries of amounts previously written off	-	-	-	2,183	-	2,183	-	2,183	
Foreign exchange and other movement	(10,774)	38	-	90,563	-	79,827	-	79,827	
Ending balance	<u>\$ 12,743</u>	<u>52</u>	<u>-</u>	<u>169,237</u>	<u>-</u>	<u>182,032</u>	<u>3,103</u>	<u>185,135</u>	

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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(iv) Financing commitment and guarantee reserve

	For the year ended December 31, 2020							Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	-		
Beginning balance	\$ 313,433	3,576	-	180,952	117	498,078	670,109	1,168,187	
Changes in financial instruments that have been identified at the beginning of the period:									
— Transfer to lifetime ECL	(1,087)	1,103	-	(16)	-	-	-	-	
— Transfer to the credit-impaired financial assets	(2,229)	(196)	-	2,425	-	-	-	-	
— Transfer to 12-month ECL	25,509	(1,434)	-	(24,075)	-	-	-	-	
— The financial assets that have been derecognized	(62,407)	(1,050)	-	(13,765)	-	(77,222)	-	(77,222)	
New financial assets originated or purchased	82,384	348	274	337	-	83,343	-	83,343	
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	-	-	-	-	-	-	86,171	86,171	
Write-offs	-	-	-	(188)	-	(188)	-	(188)	
Recoveries of amounts previously written off	-	-	-	575	-	575	-	575	
Foreign exchange and other movement	(40,630)	4,849	(2)	(2,997)	(23)	(38,803)	-	(38,803)	
Ending balance	<u>\$ 314,973</u>	<u>7,196</u>	<u>272</u>	<u>143,248</u>	<u>94</u>	<u>465,783</u>	<u>756,280</u>	<u>1,222,063</u>	
	For the year ended December 31, 2019								
							Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"		
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	-	Total	
Beginning balance	\$ 369,666	10,483	-	216,447	136	596,732	540,319	1,137,051	
Changes in financial instruments that have been identified at the beginning of the period:									
— Transfer to lifetime ECL	(1,007)	1,010	-	(3)	-	-	-	-	
— Transfer to the credit-impaired financial assets	(2,597)	(520)	-	3,117	-	-	-	-	
— Transfer to 12-month ECL	7,505	(6,677)	-	(828)	-	-	-	-	
— The financial assets that have been derecognized	(72,958)	(1,649)	-	(30,844)	-	(105,451)	-	(105,451)	
New financial assets originated or purchased	88,273	108	-	5,401	-	93,782	-	93,782	
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	-	-	-	-	-	-	129,790	129,790	
Write-offs	-	-	-	(175)	-	(175)	-	(175)	
Recoveries of amounts previously written off	-	-	-	4,011	-	4,011	-	4,011	
Foreign exchange and other movement	(75,449)	821	-	(16,174)	(19)	(90,821)	-	(90,821)	
Ending balance	<u>\$ 313,433</u>	<u>3,576</u>	<u>-</u>	<u>180,952</u>	<u>117</u>	<u>498,078</u>	<u>670,109</u>	<u>1,168,187</u>	

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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(k) Investment under equity method— net

	December 31, 2020	
	%	Book value
<u>Associates:</u>		
Grand Bills Finance Corporation (original investment at 1,010,880 thousand)	21.15	\$ 2,281,315
AZ-Star Co., Ltd. (original investment at JPY12,000 thousand)	40.00	17,117
AZ-Star 1 Investment Limited Partnership (original investment at JPY2,333,068 thousand)	43.98	264
AZ-Star 3 Investment Limited Partnership (original investment at JPY580,866 thousand)	23.56	116,904
LH Financial Group Public Company Limited (original investment at THB16,598,915 thousand)	36.07	16,362,979
<u>Joint venture:</u>		
Xiamen Jinmeixin Consumer Finance Co., Ltd. (original investment at RMB170,000 thousand)	34.00	871,195
Total		\$ 19,649,774

	December 31, 2019	
	%	Book value
<u>Associates:</u>		
Grand Bills Finance Corporation (original investment at 1,010,880 thousand)	21.15	\$ 2,061,092
AZ-Star Co., Ltd. (original investment at JPY12,000 thousand)	40.00	26,753
AZ-Star 1 Investment Limited Partnership (original investment at JPY2,333,068 thousand)	43.98	99,700
AZ-Star 3 Investment Limited Partnership (original investment at JPY494,502 thousand)	23.56	115,473
LH Financial Group Public Company Limited (original investment at THB16,598,915 thousand)	35.62	17,891,631
<u>Joint venture:</u>		
Xiamen Jinmeixin Consumer Finance Co., Ltd. (original investment at RMB170,000 thousand)	34.00	772,965
Total		\$ 20,967,614

(Continued)

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For the years ended December 31, 2020 and 2019, the amounts of profit and loss from associates recognized under equity-method investments were as below:

	For the years ended December 31	
	2020	2019
Associates	\$ 839,070	1,243,620
Joint venture	85,789	38,928
Total	\$ 924,859	1,282,548

(i) Information of significant associates:

The relevant information of associates which were material to the Bank and subsidiaries was as follows:

<u>Name of Associates</u>	<u>Nature of Relationship with the Bank</u>	<u>Main operating location/Registered Country of the Company</u>	<u>Percentage of Ownership</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
LH Financial Group Public Company Limited	Investment under equity method	Thailand	36.07 %	35.62 %

LH Financial Group Public Company Limited successively bought back shares as its treasury stocks from January to March 2020, resulting in a decrease in the number of shares outstanding and an increase in the percentage of ownership held by the Bank.

The fair values of associates listed on the Stock Exchange (over the counter) which were material to the Bank and subsidiaries were as follows:

	December 31, 2020	December 31, 2019
LH Financial Group Public Company Limited	\$ 7,407,266	10,242,780

Summarized financial information of LH Financial Group Public Company Limited was as follows:

	December 31, 2020	December 31, 2019
Total assets	\$ 237,348,505	242,897,869
Total liabilities	(200,571,829)	(201,364,625)
Net assets	\$ 36,776,676	41,533,244

	For the years ended December 31	
	2020	2019
Net revenue	\$ 4,506,491	4,874,612
Net income from continuing operations	1,951,375	3,198,845
Other comprehensive losses	(3,290,376)	(65,883)
Comprehensive (losses) income	\$ (1,339,001)	3,132,962

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
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	December 31, 2020	December 31, 2019
Proportionate share of net assets of associates	\$ 13,264,243	14,792,895
Add: Premium on the investment under equity method	<u>3,098,736</u>	<u>3,098,736</u>
Book value of associates	<u>\$ 16,362,979</u>	<u>17,891,631</u>

(ii) Information of insignificant associates:

The following was the collected prorated financial information of the associates that were individually insignificant to the Bank and subsidiaries. The financial information was derived from the consolidated financial report.

	For the years ended December 31	
	2020	2019
Net income from continuing operations	\$ 141,776	104,287
Other comprehensive income	<u>158,257</u>	<u>44,295</u>
Comprehensive income	<u>\$ 300,033</u>	<u>148,582</u>

(iii) Joint venture

Xiamen Jinmeixin Consumer Finance Co., Ltd. was jointly invested by the Bank, GOME Holdings Group Co., Ltd. and Xiamen Jin Yuan Financial Holding Co., Ltd. The investment was joint ventures accounted for using equity method. The Bank had 34% ownership of the joint venture and with the investment amounted to RMB170,000 thousand.

The amounts of the investments in individually insignificant joint venture accounted for using equity method by the Bank and subsidiaries were shown below:

	For the years ended December 31	
	2020	2019
Net income from continuing operations	\$ 85,789	38,928
Other comprehensive income (losses)	<u>12,440</u>	<u>(27,171)</u>
Comprehensive income	<u>\$ 98,229</u>	<u>11,757</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
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(l) Other financial assets — net

	December 31, 2020	December 31, 2019
Short term advances	\$ 742,171	664,809
Less: Allowance for credit losses — short-term advances	(74,528)	(68,213)
Deposits pledged	670,410	369,580
Non-accrual loans transferred from non-loan financial assets	95,979	131,716
Less: Allowance for credit losses — non-accrual loans transferred from non-loan financial assets	(61,198)	(77,958)
Prepayment for investments	-	100,000
Others	47,249	82,827
Total	\$ 1,420,083	1,202,761

The prepayment for investments was the investment in Line Bank, which had approved by Financial Supervisory Commission R.O.C. (Taiwan) on September 9, 2019. The investment in Line Bank had been registered on March 9, 2020.

Please refer to Note 6(j) for information with regard to the changes of short-term advances and allowance for credit losses of non-accrual loans transferred from non-loan financial assets shown above.

Please refer to Note 8 for information with regard to the restrictions on the other financial assets shown above.

(m) Investment property — net

December 31, 2020				
Asset	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land	\$ 4,218,550	-	51,893	4,166,657
Buildings	1,587,206	593,623	13,989	979,594
Total	\$ 5,805,756	593,623	65,882	5,146,251
Fair value				\$ 7,807,034

December 31, 2019				
Asset	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land	\$ 4,203,312	-	134,598	4,068,714
Buildings	1,575,780	558,991	52,597	964,192
Total	\$ 5,779,092	558,991	187,195	5,032,906
Fair value				\$ 7,137,276

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Changes in the cost were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2020</u>
Land	\$ 4,203,312	15,238	-	-	4,218,550
Buildings	1,575,780	11,426	-	-	1,587,206
Total	<u>\$ 5,779,092</u>	<u>26,664</u>	<u>-</u>	<u>-</u>	<u>5,805,756</u>

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2019</u>
Land	\$ 1,558,106	2,746,145	100,939	-	4,203,312
Buildings	690,309	915,358	29,887	-	1,575,780
Total	<u>\$ 2,248,415</u>	<u>3,661,503</u>	<u>130,826</u>	<u>-</u>	<u>5,779,092</u>

Changes in accumulated depreciation were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2020</u>
Buildings	\$ <u>558,991</u>	<u>34,632</u>	<u>-</u>	<u>-</u>	<u>593,623</u>

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2019</u>
Buildings	\$ <u>219,263</u>	<u>350,454</u>	<u>10,726</u>	<u>-</u>	<u>558,991</u>

Changes in accumulated impairment were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2020</u>
Land	\$ 134,598	-	82,705	-	51,893
Buildings	52,597	-	38,608	-	13,989
Total	<u>\$ 187,195</u>	<u>-</u>	<u>121,313</u>	<u>-</u>	<u>65,882</u>

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2019</u>
Land	\$ 134,598	-	-	-	134,598
Buildings	52,597	-	-	-	52,597
Total	<u>\$ 187,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,195</u>

The fair value of investment property is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The value of investment properties is estimated through application of market value method.

The Bank and subsidiaries recognized the impairment losses and reversal of impairment losses due to the changes in market environment and adjustments in office-use plan for the year ended December 31, 2020.

The Bank and subsidiaries have no pledged investment properties.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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(n) Premises and equipment — net

<u>December 31, 2020</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net</u>
Land	\$ 13,736,392	-	41,383	13,695,009
Buildings	32,943,569	8,108,960	136,743	24,697,866
Transportation equipment	66,991	32,866	6	34,119
Miscellaneous equipment	9,751,685	5,520,490	22,227	4,208,968
Construction in progress	358,124	-	-	358,124
Prepayment for equipment	6,599	-	-	6,599
Total	<u>\$ 56,863,360</u>	<u>13,662,316</u>	<u>200,359</u>	<u>43,000,685</u>
<u>December 31, 2019</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net</u>
Land	\$ 13,817,591	-	41,383	13,776,208
Buildings	32,514,804	6,984,297	23,610	25,506,897
Transportation equipment	65,001	34,278	-	30,723
Miscellaneous equipment	9,601,915	4,907,155	-	4,694,760
Construction in progress	278,517	-	-	278,517
Prepayment for equipment	46,849	-	-	46,849
Total	<u>\$ 56,324,677</u>	<u>11,925,730</u>	<u>64,993</u>	<u>44,333,954</u>

Changes in the cost were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2020</u>
Land	\$ 13,817,591	-	76,106	(5,093)	13,736,392
Buildings	32,514,804	577,017	115,169	(33,083)	32,943,569
Transportation equipment	65,001	15,678	13,159	(529)	66,991
Miscellaneous equipment	9,601,915	875,719	672,870	(53,079)	9,751,685
Construction in progress	278,517	433,306	352,879	(820)	358,124
Prepayment for equipment	46,849	114,229	154,328	(151)	6,599
Total	<u>\$ 56,324,677</u>	<u>2,015,949</u>	<u>1,384,511</u>	<u>(92,755)</u>	<u>56,863,360</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
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	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2019</u>
Land	\$ 13,370,636	3,610,704	3,168,245	4,496	13,817,591
Buildings	31,061,673	2,835,975	1,310,354	(72,490)	32,514,804
Transportation equipment	58,169	19,986	14,019	865	65,001
Miscellaneous equipment	9,143,939	1,544,474	1,075,424	(11,074)	9,601,915
Construction in progress	74,257	1,193,768	988,298	(1,210)	278,517
Prepayment for equipment	175,626	552,421	681,194	(4)	46,849
Prepayment for land and buildings	4,928,334	240,621	5,168,955	-	-
Total	<u>\$ 58,812,634</u>	<u>9,997,949</u>	<u>12,406,489</u>	<u>(79,417)</u>	<u>56,324,677</u>

Changes in accumulated depreciation were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2020</u>
Buildings	\$ 6,984,297	1,211,274	51,829	(34,782)	8,108,960
Transportation equipment	34,278	10,551	11,860	(103)	32,866
Miscellaneous equipment	4,907,155	1,293,374	638,287	(41,752)	5,520,490
Total	<u>\$ 11,925,730</u>	<u>2,515,199</u>	<u>701,976</u>	<u>(76,637)</u>	<u>13,662,316</u>

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2019</u>
Buildings	\$ 6,582,983	1,113,412	694,042	(18,056)	6,984,297
Transportation equipment	34,186	10,263	10,685	514	34,278
Miscellaneous equipment	4,770,082	1,174,937	1,033,652	(4,212)	4,907,155
Total	<u>\$ 11,387,251</u>	<u>2,298,612</u>	<u>1,738,379</u>	<u>(21,754)</u>	<u>11,925,730</u>

Changes in accumulated impairment were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2020</u>
Land	\$ 41,383	1,003	1,003	-	41,383
Buildings	23,610	113,665	-	(532)	136,743
Transportation equipment	-	6	-	-	6
Miscellaneous equipment	-	22,331	-	(104)	22,227
Total	<u>\$ 64,993</u>	<u>137,005</u>	<u>1,003</u>	<u>(636)</u>	<u>200,359</u>

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2019</u>
Land	\$ 41,383	-	-	-	41,383
Buildings	23,610	-	-	-	23,610
Total	<u>\$ 64,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,993</u>

Please refer to Note 6(m) for information on impairment loss recognized for premises and equipment listed above.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(o) Right-of-use assets

<u>December 31, 2020</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net</u>
Superficies	\$ 9,685,207	515,376	-	9,169,831
Buildings	10,629,806	3,924,830	109,545	6,595,431
Transportation equipment	133,845	59,668	-	74,177
Miscellaneous equipment	<u>1,080,506</u>	<u>741,632</u>	<u>-</u>	<u>338,874</u>
Total	<u>\$ 21,529,364</u>	<u>5,241,506</u>	<u>109,545</u>	<u>16,178,313</u>

<u>December 31, 2019</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net</u>
Superficies	\$ 9,454,385	254,429	-	9,199,956
Buildings	8,493,423	2,298,054	-	6,195,369
Transportation equipment	136,267	53,516	-	82,751
Miscellaneous equipment	<u>1,081,972</u>	<u>590,473</u>	<u>-</u>	<u>491,499</u>
Total	<u>\$ 19,166,047</u>	<u>3,196,472</u>	<u>-</u>	<u>15,969,575</u>

Changes in the cost were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2020</u>
Superficies	\$ 9,454,385	230,822	-	-	9,685,207
Buildings	8,493,423	3,053,215	795,537	(121,295)	10,629,806
Transportation equipment	136,267	47,808	49,702	(528)	133,845
Miscellaneous equipment	<u>1,081,972</u>	<u>1,597</u>	<u>805</u>	<u>(2,258)</u>	<u>1,080,506</u>
Total	<u>\$ 19,166,047</u>	<u>3,333,442</u>	<u>846,044</u>	<u>(124,081)</u>	<u>21,529,364</u>

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2019</u>
Superficies	\$ 9,453,760	625	-	-	9,454,385
Buildings	6,783,247	1,904,151	129,288	(64,687)	8,493,423
Transportation equipment	118,940	55,158	36,951	(880)	136,267
Miscellaneous equipment	<u>1,105,630</u>	<u>5,687</u>	<u>25,617</u>	<u>(3,728)</u>	<u>1,081,972</u>
Total	<u>\$ 17,461,577</u>	<u>1,965,621</u>	<u>191,856</u>	<u>(69,295)</u>	<u>19,166,047</u>

Changes in accumulated depreciation were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2020</u>
Superficies	\$ 254,429	260,947	-	-	515,376
Buildings	2,298,054	2,443,782	762,500	(54,506)	3,924,830
Transportation equipment	53,516	50,474	43,719	(603)	59,668
Miscellaneous equipment	<u>590,473</u>	<u>153,632</u>	<u>805</u>	<u>(1,668)</u>	<u>741,632</u>
Total	<u>\$ 3,196,472</u>	<u>2,908,835</u>	<u>807,024</u>	<u>(56,777)</u>	<u>5,241,506</u>

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CTBC BANK CO., LTD. AND SUBSIDIARIES

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	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2019</u>
Superficies	\$ -	254,429	-	-	254,429
Buildings	-	2,376,101	51,174	(26,873)	2,298,054
Transportation equipment	29,760	53,261	28,991	(514)	53,516
Miscellaneous equipment	464,054	155,441	25,617	(3,405)	590,473
Total	<u>\$ 493,814</u>	<u>2,839,232</u>	<u>105,782</u>	<u>(30,792)</u>	<u>3,196,472</u>

Changes in accumulated impairment were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2020</u>
Buildings	\$ -	110,060	-	(515)	109,545

Please refer to Note 6(m) for information on impairment loss recognized for right-of-use assets listed above.

In May 2006, the Bank acquired the superficies of lots 43, 43-1, 45 and 45-1 of Jingmao Section, Nankang, Taipei, from Taiwan Fertilizer Co., Ltd. for 50 years through a public tender. The acquisition cost amounted to \$3,364,140 (including business tax and other related expenses of the superficies). The rental is determined annually at the rate of 8% of the government assessed present value. Please refer to Note 8 for information on performance guarantee deposits.

(p) Intangible assets – net

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Goodwill	\$ 10,385,891	10,385,891
Computer software	5,554,094	5,380,013
Total	<u>\$ 15,939,985</u>	<u>15,765,904</u>

Goodwill of the Bank and subsidiaries was acquired from business combination.

Changes in intangible assets were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2020</u>
Goodwill	\$ 10,385,891	-	-	-	10,385,891
Computer software	5,380,013	1,992,479	1,804,712	(13,686)	5,554,094
Total	<u>\$ 15,765,904</u>	<u>1,992,479</u>	<u>1,804,712</u>	<u>(13,686)</u>	<u>15,939,985</u>

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2019</u>
Goodwill	\$ 10,385,891	-	-	-	10,385,891
Computer software	5,427,820	1,638,883	1,681,056	(5,634)	5,380,013
Total	<u>\$ 15,813,711</u>	<u>1,638,883</u>	<u>1,681,056</u>	<u>(5,634)</u>	<u>15,765,904</u>

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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(q) Other assets — net

	December 31, 2020	December 31, 2019
Prepayments	\$ 9,285,230	11,869,406
Foreclosed properties received — net	157,191	160,784
Temporary payments	105,664	179,635
Refundable deposits — net	18,290,546	17,912,211
Cash surrender value of life insurance	1,764,302	1,813,905
Others	<u>1,066,909</u>	<u>1,108,508</u>
Total	<u><u>\$ 30,669,842</u></u>	<u><u>33,044,449</u></u>

In order to fulfill the Bank's social responsibility, improve the image of the Bank and receive a long term benefit from advertisements, the Bank sponsored a professional baseball team by signing a sponsorship and cooperative advertisement contract with Hua Yi Entertaining Co. Ltd. on December 5, 2013, amounting to \$400,000 and accounted under prepaid expenses. The duration of the name of the baseball team will last for 10 years, starting from the date the Bank appointed the team name. As of December 31, 2020, the account balance was \$120,000.

(r) Deposits from Central Bank and other banks

	December 31, 2020	December 31, 2019
Deposits from Central Bank	\$ 196,782	208,314
Deposits from other banks	27,330,281	21,379,727
Deposits from post offices	236,313	353,582
Overdraft against other banks	1,235,540	1,454,648
Due to other banks	<u>26,995,030</u>	<u>29,804,027</u>
Total	<u><u>\$ 55,993,946</u></u>	<u><u>53,200,298</u></u>

(s) Due to Central Bank and other banks

	December 31, 2020	December 31, 2019
Financing from Central Bank-Others	\$ 2,868,770	-
Financing from Central Bank	200,324	11,960,095
Financing from other banks	<u>2,154,834</u>	<u>881,550</u>
Total	<u><u>\$ 5,223,928</u></u>	<u><u>12,841,645</u></u>

Financing from Central Bank-Others:

As of December 31, 2020, the Bank applied for marginal loans from the Central Bank amounting to \$2,868,770 thousand for providing loans to small and medium enterprises affected by Covid-19 pandemic.

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Financing from Central Bank:

The Tokyo Star Bank, Ltd.

	December 31, 2020	December 31, 2019
Borrowings (JPY in thousands)	\$ 724,500	43,177,240
Interest rate	0.31%~0.57%	0.00%~2.04%
Maturity date	March 5, 2021	December 4, 2020
Interest payment	at the maturity date	at the maturity date

Financing from other banks:

(i) CTBC Bank Corp. (USA)

	December 31, 2020	December 31, 2019
Inter bank borrowings (USD in thousands)	\$ 55,000	-
Interest rate	0.00%~0.96%	-
Maturity date	April 30, 2025	-

(ii) PT. Bank CTBC Indonesia

	December 31, 2020	December 31, 2019
Inter bank borrowings (IDR in thousands)	\$ -	138,825,000
Interest rate	-	2.80%
Maturity date	-	August 30, 2021

(iii) CTBC Bank (Philippines) Corp.

	December 31, 2020	December 31, 2019
Inter bank borrowings (PHP in thousands)	\$ 988,536	931,481
Interest rate	1.11%~4.96%	7.38%
Maturity date	April 29, 2022	April 29, 2022

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(t) Securities sold under repurchase agreements

December 31, 2020				
<u>Assets</u>	<u>Par value</u>	<u>Selling price (Note)</u>	<u>Designated repurchase amount</u>	<u>Designated repurchase date</u>
Financial assets measured at fair value through profit or loss	\$ 10,437,143	10,439,539	10,440,820	Before February 20, 2021
Financial assets measured at fair value through other comprehensive income	11,144,835	10,597,669	10,601,703	Before January 13, 2021
Investment in debt instruments at amortized cost	64,166,970	59,382,335	59,395,267	Before March 12, 2021
Total	<u>\$ 85,748,948</u>	<u>80,419,543</u>	<u>80,437,790</u>	
December 31, 2019				
<u>Assets</u>	<u>Par value</u>	<u>Selling price (Note)</u>	<u>Designated repurchase amount</u>	<u>Designated repurchase date</u>
Financial assets measured at fair value through profit or loss	\$ 16,009,090	15,857,463	15,860,087	Before January 30, 2020
Financial assets measured at fair value through other comprehensive income	51,887,158	50,078,737	50,150,555	Before February 4, 2020
Investment in debt instruments at amortized cost	25,010,100	26,606,147	26,644,681	Before January 20, 2020
Total	<u>\$ 92,906,348</u>	<u>92,542,347</u>	<u>92,655,323</u>	

Note: Recognized under securities sold under repurchase agreements.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Payables

	December 31, 2020	December 31, 2019
Accounts payable	\$ 7,083,284	6,449,645
Accounts payable factoring	7,693,081	4,889,813
Accrued expenses	17,461,234	18,977,030
Interest payable	6,652,739	12,071,959
Acceptances payable	13,357,577	11,497,859
Collection payable	5,347,789	5,211,305
Miscellaneous lottery accounts payable	7,746,966	9,290,408
Premium payable	3,918,314	3,898,586
Other payables	8,566,910	7,114,761
Total	<u>\$ 77,827,894</u>	<u>79,401,366</u>

(v) Deposits and remittances

	December 31, 2020	December 31, 2019
NTD deposits		
Checking accounts	\$ 13,384,481	12,678,722
Demand deposits		
Demand deposits	300,199,977	222,016,675
Demand savings deposits	961,836,654	802,911,760
Public treasury deposits	11,504,170	8,849,902
Subtotal of demand deposits	<u>1,273,540,801</u>	<u>1,033,778,337</u>
Time deposits		
Time deposits	291,357,970	272,829,380
Time savings deposits	471,296,393	486,906,262
Negotiable certificates of deposits	1,110,300	1,272,600
Public treasury deposits	28,367,171	24,307,171
Others	16,953,500	12,020,500
Subtotal of time deposits	<u>809,085,334</u>	<u>797,335,913</u>
Subtotal of NTD deposits	<u>2,096,010,616</u>	<u>1,843,792,972</u>
Foreign currency deposits	1,653,179,629	1,536,788,401
Stored value cards	167	166
Remittances under custody	56,339	131,908
Remittances outstanding	1,691,287	1,105,006
Total	<u>\$ 3,750,938,038</u>	<u>3,381,818,453</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Financial debentures

Bonds	December 31, 2020	December 31, 2019
2008-1	\$ 2,000,000	2,000,000
2011-1	4,000,000	4,000,000
2014-1	20,000,000	20,000,000
2014-2	15,000,000	15,000,000
2015-1 (Note 3)	7,326,556	7,737,242
2015-2	12,000,000	12,000,000
2015-3	5,000,000	5,000,000
2016-1 (Note 3)	-	23,482,680
2017-1 (Note 3)	-	5,419,080
2017-2	-	1,000,000
2018-1 (Note 3)	6,414,300	6,773,850
2020-1	1,000,000	-
Unamortized discount	(1)	(8)
Less: financial liability designated at fair value through profit or loss (Note 3)	(13,740,856)	(43,412,852)
Total	\$ 58,999,999	58,999,992

Bonds	Terms of transactions			Bond issued Type
	Issue date	Maturity date	Interest rate	
2008-1	04/10/2008	04/10/2023	3.49%	Unsecured subordinated financial debentures
2011-1	09/27/2011	09/27/2021	B=1.95%. From the 4th year after the issue date, the interest rate will be the prime rate plus 0.55%. (Note 1)	"
2014-1	06/18/2014	N/A	A=3.70%, B=4.00%.	Perpetual non accumulated subordinated financial debentures
2014-2	06/26/2014	06/26/2029	A=2.00%, B=The prime rate plus 0.45%. (Note 2)	Unsecured subordinated financial debentures
2015-1	01/27/2015	01/27/2045	0% (Note 3)	Unsecured financial debentures
2015-2	06/10/2015	N/A	3.60%	Perpetual non accumulated subordinated financial debentures
2015-3	06/18/2015	06/18/2025	A=1.83%, B=2.00%, C=2.05%	Unsecured subordinated financial debentures
2016-1	11/29/2016	11/29/2044	0% (Note 3)	Unsecured financial debentures
2017-1	03/29/2017	03/29/2047	0% (Note 3)	"
2017-2	05/19/2017	05/19/2020	0.83%	"
2018-1	03/29/2018	03/29/2048	0% (Note 3)	"
2020-1	11/06/2020	11/06/2025	0.43%	"

Note 1: The original prime rate is based on page code 6165 of Reuters, the fixed interest rate of 90-day CP/BA at 11:00 am on the interest reset date. With the consensus reached among creditors through forward rate agreement, the prime rate will be changed to the 3-month Taipei Interbank Offered Rate (TAIBOR) from January 1, 2015.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 2: The prime rate is based on page code 6165 of Reuters, the fixed interest rate of 90-day CP/BA at 11:00 am on the interest reset date. If no quotation is available on page code 6165 of Reuters, no page is displayed, or no prime rate is retrievable from Reuters, the Bank would change the resource of the rate. The Bank would set the prime rate as Secondary Market Fixing Rate of 90-day TAIBIR 02 from the “TAIBIR Section” in the webpage of Taiwan Depository and Clearing Corporation.

Note 3: Financial debentures of 2015-1, 2016-1, 2017-1 and 2018-1 are recognized as financial liabilities designated at fair value through profit or loss. For more information, please refer to Note 6(c).

(x) Other financial liabilities

	December 31, 2020	December 31, 2019
Structured products	\$ 49,342,504	74,679,251
Guarantee deposit-securities lending transaction	1,277,114	11,794,013
Others	44,529	40
Total	<u>\$ 50,664,147</u>	<u>86,473,304</u>

(y) Provisions

	December 31, 2020	December 31, 2019
Settlement compensation provision	\$ 88,230	112,035
Employee benefits provision	3,601,213	3,609,917
Guarantee reserve	995,566	923,996
Financing commitment provision	226,497	244,191
Other provisions	500,939	347,920
Total	<u>\$ 5,412,445</u>	<u>5,238,059</u>

(z) Other liabilities

	December 31, 2020	December 31, 2019
Amount received in advance	\$ 523,618	348,578
Payable in custody	688,954	468,181
Deferred income	1,907,481	1,532,764
Guarantee deposits received	7,628,685	9,193,976
Temporary receipt	1,586,848	2,053,055
Others	183,949	213,640
Total	<u>\$ 12,519,535</u>	<u>13,810,194</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) Lease liabilities

	<u>Summary</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Superficies	Superficies	\$ 6,974,125	6,843,446
Buildings	Leased Buildings	6,879,284	6,326,737
Transportation equipment	Leased official cars	77,526	84,033
Miscellaneous equipment	Leased office equipment	<u>354,512</u>	<u>508,802</u>
Total		<u>\$ 14,285,447</u>	<u>13,763,018</u>

A few real estate include lease extension options to extend the lease while some of them are not reasonably assured that options will be exercised, so the measurement of lease liabilities didn't reflect the terms.

Maturity analysis of lease liabilities (undiscounted) for the Bank and subsidiaries was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Less than one year	\$ 2,455,012	2,785,902
Between one and five years	5,698,953	5,373,370
More than five years	<u>11,673,299</u>	<u>11,230,894</u>
Total	<u>\$ 19,827,264</u>	<u>19,390,166</u>

For the years ended December 31, 2020 and 2019, the total cash outflows of leases were \$3,601,096 and \$3,628,264, respectively.

(ab) Employee benefits

(i) Defined contribution plan

The Bank's defined contribution plan follows the Labor Pension Act of the R.O.C. and makes monthly cash contributions to the employees' individual pension accounts at the Bureau of Labor Insurance at the rate of 6% of the employees' monthly salary. Under this plan, the Bank has no legal or constructive obligation to make other payments after the Bank makes the fixed amount of contribution to the Bureau of Labor Insurance.

For the years ended December 31, 2020 and 2019, the pension expense under defined contribution plan of the Bank and subsidiaries amounted to \$745,173 and \$696,405, respectively, and were contributed to the Bureau of Labor Insurance or labor agencies designated by local authorities in the case of overseas units.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Employee benefits provision

Employee benefits provisions recognized by the Bank in the balance sheet were as follows:

	December 31, 2020	December 31, 2019
Defined benefits plan	\$ 2,558,052	2,687,475
Retiree deposits with favorable rates and other post-employment benefits	518,447	468,746
Total	<u>\$ 3,076,499</u>	<u>3,156,221</u>

1) Defined benefits plan

The reconciliations between present value of the Bank's defined benefits obligation and fair value of plan assets were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefits obligation	\$ 7,993,197	8,307,733
Fair value of plan assets	<u>(5,435,145)</u>	<u>(5,620,258)</u>
Net defined benefit liability	<u>\$ 2,558,052</u>	<u>2,687,475</u>

The Bank's defined benefits plan contributes to designated depository account with Bank of Taiwan. Payments of pension benefits to employees who are covered by the Labor Standards Act are calculated based on the employee's average monthly salary for the last 6 months prior to approved retirement and base point (b.p.) entitlement based on years of service.

a) Composition of plan assets

The Bank's labor pension fund contributed in compliance with Labor Standard Act is managed by Bureau of Labor Funds, Ministry of Labor. According to Regulations for Revenues, Expenditures Safeguard and Utilization of the Labor Retirement Fund with regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statement shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Please refer to the website of Bureau of Labor Funds, Ministry of Labor for information on labor pension fund assets utilization including earning rate and fund assets allocation.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Movements in present value of the defined benefits obligation

The movements in present value of defined benefits obligation for the Bank for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Defined benefits obligation at January 1	\$ 8,307,733	8,547,998
Current service costs and interest	136,539	140,861
Remeasurements of net defined benefit liability		
Actuarial losses arising from changes in financial assumption	96,572	-
Actuarial gains and losses arising from experience adjustments	75,183	40,975
Benefits paid by the plan	<u>(622,830)</u>	<u>(422,101)</u>
Defined benefits obligation at December 31	<u>\$ 7,993,197</u>	<u>8,307,733</u>

c) Movements in fair value of defined benefit plan assets

The movements in fair value of the defined benefit plan assets for the Bank for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Fair value of plan assets at January 1	\$ 5,620,258	5,475,715
Interest income	42,152	41,068
Remeasurements of net defined benefit liability		
Return on plan assets (exclude current interest)	120,949	233,120
Contribution plans made	274,616	292,456
Benefits paid by the plan	<u>(622,830)</u>	<u>(422,101)</u>
Fair value of plan assets at December 31	<u>\$ 5,435,145</u>	<u>5,620,258</u>

d) Expense recognized in profit or loss

The expenses recognized in profit or loss for the Bank for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Current service costs	\$ 74,231	76,751
Net interest of net defined benefit liability	<u>20,156</u>	<u>23,042</u>
Total	<u>\$ 94,387</u>	<u>99,793</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- e) Net remeasurement of defined benefit liability recognized in other comprehensive income

The net remeasurement of defined benefit liability recognized in other comprehensive income for the Bank for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Cumulative amount at January 1	\$ (812,301)	(1,004,446)
Recognized during the period	(50,806)	192,145
Cumulative amount at December 31	\$ (863,107)	(812,301)

- f) Primary actuarial assumptions

The following were the primary actuarial assumptions at the reporting date:

	December 31, 2020	December 31, 2019
Discount rate	0.25 %	0.75 %
Increasing rate of future compensation levels	3.00 %	3.00 %

The Bank expected \$70,790 in contributions to be paid to defined benefit plans within a year after report date of 2020.

Weighted average duration base on defined benefits plan was 4 years.

- g) Sensitivity analysis

When adopted primary actuarial assumption changes, the effects of present value of the benefits obligation as at December 31, 2020 and 2019 were as follows:

	Present value of the benefits obligation effects	
	Increase 0.25%	Decrease 0.25%
December 31, 2020		
Discount rate	\$ (48,831)	49,961
December 31, 2019		
Discount rate	(59,052)	60,457

The sensitivity analysis above analyzing the effects of changes in single assumptions is based on other assumptions remain unchanged. In practice, changes in many assumptions may link together. Sensitivity analysis and net pension liability of balance sheet were calculated under the same approach.

The methodology for sensitivity analysis and assumptions adopted are the same as last year.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Retiree deposits with favorable rates and other post-employment benefits

The reconciliations between present value of the Bank's defined benefits obligation and fair value of plan assets were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefits obligation	\$ 518,447	468,746
Fair value of plan assets	-	-
Net defined benefit liability	\$ 518,447	468,746

The Bank's obligation to grant retirees, including current employees retiring in the future, fixed-amount deposits with favorable rates is based on the Bank's Regulations for Subsidizing the Retiree Benefits.

a) Movements in value of the defined benefits obligation

The movements in present value of defined benefits obligation for the Bank for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Defined benefits obligation at January 1	\$ 468,746	423,560
Current service costs and interest	20,130	19,169
Past service costs	29,295	24,005
Remeasurements of net defined benefit liability		
Actuarial gains and losses arising from changes in financial assumptions	19,118	14,330
Actuarial gains and losses arising from experience adjustments	6,039	9,087
Benefits paid by the plan	(24,881)	(21,405)
Defined benefits obligation at December 31	\$ 518,447	468,746

b) Expense recognized in profit or loss

The expense recognized in profit or loss for the Bank for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Past service costs	\$ 29,295	24,005
Current service costs	9,821	8,862
Net interest of net defined benefit liability	10,309	10,307
Total	\$ 49,425	43,174

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- c) Net remeasurement of defined benefit liability recognized in other comprehensive income

The net remeasurement of defined benefit liability recognized in other comprehensive income for the bank for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Cumulative amount at January 1	\$ (46,111)	(22,694)
Recognized during the period	(25,157)	(23,417)
Cumulative amount at December 31	\$ (71,268)	(46,111)

- d) Primary actuarial assumptions

	December 31, 2020		December 31, 2019	
	Favorable rates for employee deposits	Other post-employment benefits	Favorable rates for employee deposits	Other post-employment benefits
Discount rate	4.00%	0.5~0.625%	4.00%	1.000%
Expected rate of return on deposited fund	2.00%	-	2.00%	-
Yearly rate of decrease on account balance/utilization rate on subsidy for health examination and social networking	2.00%	32~68%	2.00%	32~69%
Probability of future changes in favorable rates deposits scheme	50.00%	-	50.00%	-

- e) Sensitivity analysis

When adopted primary actuarial assumption changes, the effects of present value of the benefits obligation as at December 31, 2020 and 2019 were as follows:

Favorable rates for employee deposits	Present value of the defined benefits obligation effects	
	Increase 0.25%	Decrease 0.25%
December 31, 2020		
Discount rate	\$ (5,955)	6,232
Yearly rate of decrease on account balance	(6,327)	6,605
December 31, 2019		
Discount rate	(5,344)	5,592
Yearly rate of decrease on account balance	(5,678)	5,927

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Other post- employment benefits	Present value of the defined benefits obligation effects	
	Increase 0.25%	Decrease 0.25%
December 31, 2020		
Discount rate	\$ (10,989)	11,683
December 31, 2019		
Discount rate	(9,722)	10,321

The sensitivity analysis above analyzing the effects of changes in single assumptions is based on other assumptions remain unchanged. In practice, changes in many assumptions may link together. Sensitivity analysis and net pension liability of balance sheet were calculated under the same approach.

The methodology for sensitivity analysis and assumptions adopted are the same as last year.

3) Defined benefits plan of overseas branches and subsidiaries

Defined benefits plan of overseas branches and subsidiaries recognized in consolidated balance sheets was as follows:

	December 31, 2020	December 31, 2019
Defined benefits plan	\$ 524,714	453,696

For the years ended December 31, 2020 and 2019, expenses recognized by overseas branches and subsidiaries in profit and loss amounted to \$183,326 and \$175,263, respectively.

For the years ended December 31, 2020 and 2019, other comprehensive income recognized by overseas subsidiaries in actuarial profit and loss amounted to \$(54,241) and \$(54,676), respectively.

(ac) Income tax

(i) Income tax

For the years ended December 31, 2020 and 2019, the income tax expenses and related accounts were as follows:

	For the years ended December 31	
	2020	2019
Current income tax expenses	\$ 3,807,247	5,792,530
Deferred income tax expenses	1,191,895	1,764,833
Income tax expenses	\$ 4,999,142	7,557,363

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019, the income tax expenses (benefits) recognized under other comprehensive income were as follows:

	For the years ended December 31	
	2020	2019
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement (losses) gains related to defined benefit plans	\$ (30,775)	13,994
Proportionate share of other comprehensive losses from associates or joint ventures under the equity method	(153,239)	(2,807)
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	(18,073)	-
Total	<u>\$ (202,087)</u>	<u>11,187</u>
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences of overseas subsidiaries' financial reports translation	\$ (358,666)	150,156
(Losses) gains on valuation of debt instrument measured at fair value through other comprehensive income	(2,451)	162,801
Proportionate share of other comprehensive income (losses) from associates or joint ventures under the equity method	74,543	(12,578)
Total	<u>\$ (286,574)</u>	<u>300,379</u>

The reconciliations of income tax expenses and net income before tax were as follows:

	For the years ended December 31	
	2020	2019
Net income before income tax	\$ 32,267,877	38,459,068
Straight income tax	6,524,858	9,302,495
Effects of foreign and domestic tax rate spread	128,709	10,250
Tax-exempt income	(1,992,167)	(2,758,539)
Investment tax credit	(40,642)	-
Adjustments of prior year's income tax	165,091	120,277
10% surtax on undistributed earnings	3	-
Others	213,290	882,880
Income tax expense	<u>\$ 4,999,142</u>	<u>7,557,363</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

	For the year ended December 31, 2020				Ending Balance
	Beginning Balance	Recognize in profit and loss	Recognize in other comprehensive income	Others	
Proportion of gains recognized from the investments in associates and joint ventures under equity method	\$ (653,404)	(313,347)	-	-	(966,751)
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	-	-	18,073	-	18,073
Unrealized gains on foreign exchange and derivative financial instruments	(1,665,273)	(1,591,226)	-	(742)	(3,257,241)
Allowance for credit losses	3,156,761	354,977	-	(49,510)	3,462,228
Impairment losses on assets	16,410	47,660	-	(257)	63,813
Employee benefits liability	517,912	(30,250)	-	(1,712)	485,950
Settlement compensation provision	17,666	(20)	-	-	17,646
Guarantee reserve	115,907	(8,144)	-	-	107,763
Exchange differences of overseas subsidiaries' financial reports translation	934,043	-	358,666	-	1,292,709
Defined benefit plan actuarial gain and losses	157,104	-	30,775	(15,581)	172,298
Loss carryforward and others	<u>1,158,371</u>	<u>348,455</u>	<u>2,451</u>	<u>43,975</u>	<u>1,553,252</u>
Deferred tax assets (liabilities)- net	<u>\$ 3,755,497</u>	<u>(1,191,895)</u>	<u>409,965</u>	<u>(23,827)</u>	<u>2,949,740</u>
Information disclosed in balance sheet:					
Deferred income tax assets	\$ 6,529,966				7,748,861
Deferred tax liabilities	<u>(2,774,469)</u>				<u>(4,799,121)</u>
Total	<u>\$ 3,755,497</u>				<u>2,949,740</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the year ended December 31, 2019				
	Beginning Balance	Recognize in profit and loss	Recognize in other comprehensive income	Others	Ending Balance
Proportion of gains recognized from the investments in associates and joint ventures under equity method	\$ (330,141)	(323,263)	-	-	(653,404)
Unrealized (gains) losses on foreign exchange and derivative financial instruments	(276,988)	(1,389,312)	-	1,027	(1,665,273)
Allowance for credit losses	2,985,585	154,593	-	16,583	3,156,761
Impairment losses on assets	15,732	678	-	-	16,410
Employee benefits liability	646,468	(27,500)	-	(101,056)	517,912
Settlement compensation provision	17,846	(180)	-	-	17,666
Guarantee reserve	117,648	10,447	-	(12,188)	115,907
Exchange differences of overseas subsidiaries' financial reports translation	1,084,199	-	(150,156)	-	934,043
Defined benefit plan actuarial gains and losses	88,453	-	(13,994)	82,645	157,104
Loss carryforward and others	1,520,438	(190,296)	(162,801)	(8,970)	1,158,371
Deferred tax assets (liabilities)- net	\$ 5,869,240	(1,764,833)	(326,951)	(21,959)	3,755,497
Information disclosed in balance sheet:					
Deferred income tax assets	\$ 6,968,418				6,529,966
Deferred tax liabilities	(1,099,178)				(2,774,469)
Total	\$ 5,869,240				3,755,497

(iii) Uncertainty over income tax treatments

For all the Bank's and subsidiaries' income tax return which have already returned but have not assessed, the Bank and subsidiaries evaluate some related factors, such as relevant interpretations letter and previous experience, and consider it has already estimated enough income tax liabilities.

(iv) The Bank's income tax returns assessed and administrative remedies filed were as below:

	Year	Latest year of assessment	Recheck
CTBC Bank Co., Ltd.	2014	2015	
Chinatrust Bills Finance Corp. (dissolved)		2008	
CTBC Insurance Brokers Co., Ltd. (dissolved)		2015	
CTBC Bank Co., Ltd.	2014		Undistributed earnings

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ad) Capital stock, capital surplus, and other equity interest

(i) Capital stock

As of December 31, 2020, the Bank's authorized capital was \$150,000,000, representing 15,000,000 thousand common shares with par value at NTD 10 per share, and paid in capital for common stock was \$147,962,186, with 14,796,218 thousand common shares issued.

On June 24, 2020, the Bank's board of directors, on behalf of shareholders' meeting, decided a capital increase of 386,343 thousand shares from retained earnings which amounted to \$3,863,432, with August 30, 2020 as its baseline for capital increase.

On May 24, 2019, the Bank's board of directors, on behalf of shareholders' meeting, decided a capital increase of 341,304 thousand shares from retained earnings which amounted to \$3,413,035, with September 4, 2019 as its baseline for capital increase.

(ii) Capital surplus

The components and sources of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital—stock	\$ 28,607,197	28,607,197
Share based payment transactions	1,185,867	1,185,867
Others	66,141	-
Total	\$ 29,859,205	29,793,064

In compliance with the Company Act, capital surplus can only be used to offset a deficit when surplus reserve is not sufficient to offset losses or to be distributed by issuing new shares or by cash pursuant to a resolution to be adopted by a shareholders' meeting as required in Article 241, Paragraph 1 of the Company Act. Furthermore, according to Article 72-1, Paragraph 1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be used to increase capital shall not exceed 10% of total paid-in capital. The capital surplus arising from a capital increase can be capitalized only in the following fiscal year after being registered by the Bank with the competent authority for approval.

Shared based payment transactions are from cash capital increase by the parent company CTBC Financial Holding Co, Ltd. According to the Company Act, the parent company issues new shares and reserve 10 percent of such new shares for subscription by CTBC Bank Co., Ltd.'s employees and recognize it to personnel expenses and capital surplus.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other equity interest

Changes in the Bank and subsidiaries' other equity interest were as below:

	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Changes in financial liabilities designated at fair value through profit or loss attributable to credit risk	Total
January 1, 2020	\$ (7,315,078)	2,227,570	1,086,384	(4,001,124)
Translation difference of exchange differences of overseas subsidiaries' net assets	(3,341,359)	-	-	(3,341,359)
Gains on designated as hedging instruments in a hedge of the net investments in overseas subsidiaries	399,586	-	-	399,586
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	4,591,736	-	4,591,736
Cumulative losses reclassified to profit or loss on disposal of investments in debt instrument at fair value through other comprehensive income	-	(1,936,909)	-	(1,936,909)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	173,909	-	173,909
Proportionate share of other comprehensive losses from associates under equity method	-	(1,117,742)	-	(1,117,742)
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	-	-	(1,158,675)	(1,158,675)
December 31, 2020	<u>\$ (10,256,851)</u>	<u>3,938,564</u>	<u>(72,291)</u>	<u>(6,390,578)</u>
	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains from financial assets measured at fair value through other comprehensive income	Changes in financial liabilities designated at fair value through profit or loss attributable to credit risk	Total
January 1, 2019	\$ (6,622,245)	(822,370)	(310,604)	(7,755,219)
Translation difference of exchange differences of overseas subsidiaries' net assets	(921,730)	-	-	(921,730)
Gains on designated as hedging instruments in a hedge of the net investments in overseas subsidiaries	228,897	-	-	228,897
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	5,312,430	-	5,312,430
Cumulative losses reclassified to profit or loss on disposal of investments in debt instrument at fair value through other comprehensive income	-	(2,421,720)	-	(2,421,720)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	127,171	-	127,171
Proportionate share of other comprehensive income from associates under equity method	-	32,059	-	32,059
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	-	-	1,396,988	1,396,988
December 31, 2019	<u>\$ (7,315,078)</u>	<u>2,227,570</u>	<u>1,086,384</u>	<u>(4,001,124)</u>

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ae) Earnings distribution and dividend policy

As a subsidiary of CTBC Financial Holding Co., Ltd., the Bank is required to fulfill the operating fund demands of the parent company and to maintain its own capital adequacy ratio. Therefore, common stock dividends and bonuses are generally distributed as cash dividends. The Bank adopts a constant and balanced dividend policy through annual common stock dividends and distribution of bonuses.

The above-mentioned methodology is merely a guideline used to select an appropriate dividend policy. In consideration of current operations and capital budget planning for the next year, an appropriate dividend distribution ratio is selected.

Annual earnings, if any, are used to pay taxes, to make certain adjustments in accordance with financial accounting standards, and to offset cumulative losses. Then 30% of the remaining earnings are appropriated as legal reserve and set provision for or reversal of special reserve according to the regulations. Subsequent to all appropriations aforesaid, the remaining balance and the undistributed earnings at the beginning period should report to the board of directors for the discussion of dividend distribution ahead of seeking approval from shareholders. Before the legal reserve balance reaches an amount equal to total paid in capital, cash dividends are limited to 15% of total paid in capital. When the legal reserve balance reaches an amount equal to total paid in capital, or satisfies the Article 50, paragraph 2 of the Banking Law, if the Bank is sound in both its finance and business operations and has set aside legal reserve in compliance with the Company Act, the restrictions stipulated in the preceding paragraph shall not apply.

A resolution on 2019 earnings distribution of the Bank was approved by the board of directors, on behalf of shareholders' meeting on June 24, 2020, and cash dividend amounting to \$21,614,813 and stock dividend amounting to \$3,863,432 were distributed.

A resolution on 2018 earnings distribution of the Bank was approved by the board of directors, on behalf of shareholders' meeting on May 24, 2019, and cash dividend amounting to \$21,102,858 and stock dividend amounting to \$3,413,035 were distributed.

Relevant information approved by the board of directors on behalf of shareholders' meeting is available on Market Observation Post System or other sites.

(af) Share based payment transactions

For the years ended December 31, 2020 and 2019, the Bank and subsidiaries had set out the measurement principles and specific requirements for the share-based payment transactions as below:

	Management stock appreciation rights plan for the years			
	2016	2017	2018	2019
Grant date	01.25.2017	02.08.2018	01.31.2019	01.21.2020
Grant number	186,774	187,422	239,855	266,154
Exercise period	12.31.2019	12.31.2020	12.31.2021	12.31.2022
Exercise price	17.82	21.39	20.24	22.44

The Bank and subsidiaries implement the above plan via cash settlements, yet absentee and resigned employees' stock appreciation rights will be deemed abandoned and forfeited.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Disclosures for the Bank and subsidiaries' Employee Stock Appreciation Rights Plan (SARs):

For the year ended December 31, 2020						
Management stock appreciation rights plan for the years						
	2017		2018		2019	
	Number	Weighted- average exercise price	Number	Weighted- average exercise price	Number	Weighted- average exercise price
Outstanding at the beginning of the period	199,766	18.45	249,155	18.38	266,154	21.37
Granted during the period	10,695	18.45	13,042	18.38	13,580	21.37
Forfeited during the period	10,063	18.45	5,418	18.38	5,438	21.37
Exercised during the period	200,398	18.45	2,685	18.38	897	21.37
Expired during the period	-	18.45	-	18.38	-	21.37
Outstanding at the end of the period	-	18.45	254,094	18.38	273,399	21.37
Exercisable at the end of the period	-	18.45	-	18.38	-	21.37

For the year ended December 31, 2019						
Management stock appreciation rights plan for the years						
	2016		2017		2018	
	Number	Weighted- average exercise price	Number	Weighted- average exercise price	Number	Weighted- average exercise price
Outstanding at the beginning of the period	196,834	15.36	192,787	19.37	239,855	19.30
Granted during the period	9,528	15.36	9,338	19.37	11,638	19.30
Forfeited during the period	24,872	15.36	1,906	19.37	2,223	19.30
Exercised during the period	181,490	15.36	453	19.37	115	19.30
Expired during the period	-	15.36	-	19.37	-	19.30
Outstanding at the end of the period	-	15.36	199,766	19.37	249,155	19.30
Exercisable at the end of the period	-	15.36	-	19.37	-	19.30

For the year ended December 31, 2020, the weighted-average stock prices executed under SARs for 2017, 2018 and 2019 were \$19.75, \$19.62 and \$18.46 (in dollars), respectively.

As of December 31, 2020, the weighted average remaining durations of outstanding shares under SARs for 2018 and 2019 were 1 and 2 years, respectively.

On January 29 2021, the Bank's board of directors has passed Management Stock Appreciation Rights Plan for the Year 2020. 205,432 units of share based payment have been granted, with the exercise price of \$19.35 (in dollars). On the execution date of December 31, 2023, the plan is intended to be settled through cash payments. The Bank and subsidiaries recognized current service cost based on the proportion of vested period in 2020.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ag) EPS

	For the years ended December 31	
	2020	2019
Net income attributable to common stockholders	\$ <u>27,266,986</u>	<u>30,899,235</u>
Weighted-average outstanding shares of common stock (in thousands)	<u>14,796,218</u>	<u>14,796,218</u>
Basic EPS (in dollars)	\$ <u>1.84</u>	<u>2.09</u>

Retroactive adjustments are applied to the Bank's basic EPS for the year ended December 31, 2019.

Since the Bank and subsidiaries deal with share-based payment transactions via cash settlement, no impact is expected to be on its weighted-average outstanding shares, nor does the diluted EPS need to be calculated.

(ah) Net interest income

	For the years ended December 31	
	2020	2019
<u>Interest income</u>		
Loan	\$ 56,374,187	63,429,650
Revolving credit	2,918,404	3,065,557
Securities	13,865,424	15,525,725
Due from Central Bank	373,318	482,908
Due from banks and call loans to banks	1,354,970	2,462,020
Others	<u>729,271</u>	<u>1,078,464</u>
Subtotal	<u>75,615,574</u>	<u>86,044,324</u>
<u>Interest expense</u>		
Deposits	15,470,023	23,874,187
Due to other banks	534,781	1,218,626
Borrowings and other financing	2,407,134	3,377,626
Lease liabilities	405,123	387,263
Others	<u>184,465</u>	<u>596,681</u>
Subtotal	<u>19,001,526</u>	<u>29,454,383</u>
Total	<u>\$ 56,614,048</u>	<u>56,589,941</u>

Interest income and expense from financial assets and liabilities measured at fair value through profit or loss are excluded.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ai) Service fee and commission income

	For the years ended December 31	
	2020	2019
<u>Commission income</u>		
Credit card business	\$ 5,299,850	6,147,126
Wealth management business	7,653,269	6,108,409
Corporate business	4,490,836	5,455,237
Banking business	5,628,121	5,362,641
Insurance business	9,607,739	9,760,565
Lottery business	5,367,258	5,146,476
Others	<u>73,327</u>	<u>73,870</u>
Subtotal of commission income	<u>38,120,400</u>	<u>38,054,324</u>
<u>Service fee</u>		
Credit card business	501,592	705,597
Wealth management business	255,272	225,445
Corporate business	258,523	282,162
Banking business	2,263,240	2,282,476
Lottery business	384,546	388,432
Others	<u>4,694</u>	<u>4,455</u>
Subtotal of service fee	<u>3,667,867</u>	<u>3,888,567</u>
Total	<u><u>\$ 34,452,533</u></u>	<u><u>34,165,757</u></u>

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aj) Gains and losses on financial assets or liabilities measured at fair value through profit or loss

	For the years ended December 31	
	2020	2019
<u>Disposal gains (losses)</u>		
Commercial paper	\$ 343	1,936
Treasury bills	771	806
Government bonds	50,960	41,137
Corporate bonds	116,941	124,613
Financial debentures	258,101	264,776
Convertible bonds	3,211	4,364
Beneficiary certificates	3,588	7,250
Negotiable certificates of deposits	3,428	667
Stocks	85,393	(437,526)
Other securities and bonds	1,330	469
Derivative financial instruments	(2,277,231)	6,096,793
Borrowed securities	-	(51)
Subtotal	<u>(1,753,165)</u>	<u>6,105,234</u>
<u>Valuation gains (losses)</u>		
Commercial paper	(20,492)	(13,675)
Treasury bills	8	2
Government bonds	33,994	(4,115)
Corporate bonds	9,004	107,876
Financial debentures	(1,976,754)	(5,497,190)
Convertible bonds	391,759	(578)
Beneficiary certificates	185,005	167,016
Negotiable certificates of deposits	(507)	(125)
Assets-backed commercial paper	(4)	(1)
Stocks	58,195	797,436
Other securities and bonds	1	(17,379)
Derivative financial instruments	<u>7,827,498</u>	<u>7,681,207</u>
Subtotal	<u>6,507,707</u>	<u>3,220,474</u>
<u>Dividend income</u>	44,312	68,289
<u>Interest income</u>	1,001,875	1,257,993
<u>Interest expense</u>	<u>(1,706,318)</u>	<u>(2,001,991)</u>
Total	<u><u>\$ 4,094,411</u></u>	<u><u>8,649,999</u></u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ak) Employee benefits expenses

	For the years ended December 31	
	2020	2019
Salary expenses	\$ 26,143,622	26,664,394
Insurance expenses	1,946,769	1,928,631
Share based payment transactions	(87,598)	1,440,817
Retirement expenses		
Defined contribution plan	745,173	696,405
Defined benefits plan	327,138	318,230
Other personnel expenses	942,024	1,001,930
Total	\$ 30,017,128	32,050,407

For the year ended December 31, 2020 and 2019, the numbers of the Bank and subsidiaries' employees were 15,535 and 15,140, respectively.

The Bank and subsidiaries recognized the changes in the fair value of share-based payments in profit or loss over the vesting period. For the year ended December 31, 2020, the share-based payments expenses were reversed due to the changes in fair value.

(al) Depreciation and amortization expenses

	For the years ended December 31	
	2020	2019
Housing	\$ 1,105,159	1,101,487
General equipment	488,714	467,774
Transportation equipment	10,551	10,752
Information equipment	800,533	707,403
Subtotal of depreciation expenses	2,404,957	2,287,416
Superficies	260,947	254,429
Buildings	2,443,782	2,376,101
Transportation equipment	50,474	53,261
Miscellaneous equipment	153,632	155,441
Subtotal of depreciation expenses for right-of-use assets	2,908,835	2,839,232
Amortization of information software	1,491,303	1,399,898
Total	\$ 6,805,095	6,526,546

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(am) Compensations of employees

Annual earnings, if any, should be appropriated 0.05% as compensations of employees. However, if there is any cumulative loss, the Bank should offset cumulative losses in priority. Compensations of employees which are recognized as current period operating expenses based on the Bank's net income before tax excluding the amount of the compensations of employees at the end of the accounting period multiplied by the estimate of remuneration distribution set by the Bank's articles of incorporation. The estimated compensations of employees for the years ended December 31, 2020 and 2019 were \$15,963 and \$18,824, respectively. The actual compensations of employee of 2019 and 2018 amounted to \$18,363 and \$17,022 with \$460 and \$25 different from the amount recognized in the annual financial report. The difference was regarded as a change of accounting estimates and would be adjusted in profit or loss in the fiscal year of 2020 and 2019. Relevant information is available on Market Observation Post System.

(an) Other general and administrative expenses

	For the years ended December 31	
	2020	2019
Site usage and general equipment expenses	\$ 1,805,023	1,749,118
Information equipment expenses	2,502,743	2,277,051
General administration expenses	4,849,133	5,392,896
Marketing and promotion expenses	2,559,867	3,090,487
Other expenses	5,630,116	5,427,314
Business tax	3,292,647	3,345,171
Total	\$ 20,639,529	21,282,037

The total amount of rent expenses of exemption for short-term lease contracts and low value assets of the Bank and subsidiaries for the years ended December 31, 2020 and 2019 were \$425,141 and \$567,829, respectively.

(ao) Financial instruments

(i) Methods and assumptions used by the Bank and subsidiaries for fair value evaluation of financial instruments were as follows:

- 1) Fair value of short-term financial instruments is estimated by their book value on the balance sheet date. Since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, deposits from Central Bank and other banks, due to Central Bank and other banks, securities sold under repurchase agreements, payables, remittances, and other financial liabilities.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 2) If there is a quoted price in an active market for the financial asset, including financial instruments measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, financial assets measured at amortized cost and financial instruments-hedging, the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices provided by financial institutions. The estimates, hypotheses and discount rates for valuation referring to quoted prices, from financial institutions, of financial instruments have substantially the same terms and characteristics, including the credit quality of debtors, the remaining term over which the contractual interest rate is fixed, the remaining term to repayment of the principal, and the currency in which the payments are to be made. Fair value for an equity investment is determined based on either the price calculated using a valuation technique or its book value.
- 3) Loans and deposits are both classified as interest-bearing financial assets; therefore, the book value of financial assets is equivalent to their fair value. The net book value of the non-accrual account, after deducting provision for credit loss, is adopted as the fair value.
- 4) Fair value of long-term liabilities is estimated by the present value of expected future cash flows. The discount rate is based on rates of equivalent loans available elsewhere; that is, loans with similar maturity date and terms (close to the maturity date).
- 5) Derivatives usually adopt mark-to-model prices. The Discounted-Cash-Flow method is adopted for non-option derivatives, and the Black-Scholes Model is adopted for most options.
- 6) The exchange price is used for financial instruments traded on an exchange. Over the counter (OTC) positions use independent price/parameter quotes by reliable brokers or data vendors, such as Reuters, Bloomberg, etc. In general, the closing price, settlement price, mid-price at a fixed cut-off time, and the average price of several independent brokers could be used as market data for valuation purposes.
- 7) The Bank and subsidiaries would calculate credit valuation adjustment (CVA) by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying exposure at default (EAD) of the counterparty. On the contrary, debit valuation adjustment (DVA) is computed by applying probability of default of the Bank and subsidiaries considering loss given default of the Bank and subsidiaries before being multiplied by exposure at default of the Bank and subsidiaries.

The Bank and subsidiaries adopt IFRS 9 or take any observable data into account to evaluate the probability of impairment and loss rate of allowance for doubtful accounts as the estimates of PD and LGD. In addition, mark to market assessment of a derivative instrument from Over the Counter (OTC) is applied as EAD. For those accounts have showed significant increase in credit risk, would be the CVA assessed individually by taking into account of the changes of exposures, conditions of collaterals and the recovery probabilities.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 8) Except the following listed items, the book value is considered to be a reasonable basis of estimated fair value if the Bank and subsidiaries do not measure a financial instrument at fair value.

Financial assets	December 31, 2020	
	Book value	Fair value
Investment in debt instruments at amortized cost	\$ 781,466,726	800,227,680

Financial assets	December 31, 2019	
	Book value	Fair value
Investment in debt instruments at amortized cost	\$ 694,995,472	704,251,339

- (ii) Fair value hierarchy information on financial instruments

- 1) The definition of fair value hierarchy

- a) Level 1

Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

- b) Level 2

Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market, including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows:

- i) The quoted price for an identical financial instrument in an active market means the fair value from the market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices do not represent fair value at the measurement date), the difference in transaction terms for financial instruments, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- ii) The quoted market price of the same or identical financial instruments in an inactive market.
- iii) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs used (i.e., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).
- iv) A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

c) Level 3

Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

2) Fair value hierarchy information on financial instruments

Assets and Liabilities	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Instruments measured at fair value</u>				
<u>Instruments measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments assets and liabilities</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Mandatorily measured at fair value through profit or loss				
Investment in equity instruments	\$ 745,309	745,309	-	-
Investment in debt instruments	131,952,607	3,636,167	128,316,378	62
Others	597,935	-	-	597,935
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments	18,653,432	14,945,601	-	3,707,831
Investment in debt instruments	334,180,209	104,046,036	229,864,762	269,411
Liabilities:				
Designated as financial liabilities measured at fair value through profit or loss	14,475,274	-	-	14,475,274
<u>Derivative financial instruments assets and liabilities</u>				
Assets:				
Financial assets measured at fair value through profit or loss \$	61,106,422	1,531,545	58,028,118	1,546,759
Financial assets—hedging	16,394	-	16,394	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	63,041,830	54,455	61,389,406	1,597,969
Financial liabilities—hedging	211,672	-	211,672	-
<u>Instruments not measured at fair value</u>				
Investment in debt instruments at amortized cost	800,227,680	710,624,005	82,338,823	7,264,852
Investment property	7,807,034	-	-	7,807,034

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Instruments measured at fair value</u>				
<u>Instruments measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments assets and liabilities</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Mandatorily measured at fair value through profit or loss				
Investment in equity instruments	\$ 1,748,248	1,748,248	-	-
Investment in debt instruments	106,101,451	786,381	105,315,004	66
Others	614,645	-	-	614,645
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments	15,012,062	11,732,459	-	3,279,603
Investment in debt instruments	305,538,242	88,953,694	216,264,265	320,283
Liabilities:				
Designated as financial liabilities measured at fair value through profit or loss	41,068,313	-	-	41,068,313
<u>Derivative financial instruments assets and liabilities</u>				
Assets:				
Financial assets measured at fair value through profit or loss \$	60,223,960	48,911	60,056,761	118,288
Financial assets – hedging	330,764	-	330,764	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	72,834,151	64,129	72,597,765	172,257
Financial liabilities – hedging	37,437	-	37,437	-
<u>Instruments not measured at fair value</u>				
Investment in debt instruments at amortized cost	704,251,339	621,571,345	75,058,933	7,621,061
Investment property	7,137,276	-	-	7,137,276

- 3) No instrument measured at fair value has been transferred between level 1 and level 2 by the Bank and subsidiaries for the years ended December 31, 2020 and 2019.
- 4) Statements of changes in financial assets which were classified to Level 3 based on fair value measurement.

Items	For the year ended December 31, 2020									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase			Current decrease			Ending balance
				Purchase or issue	Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	
Financial assets measured at fair value through profit or loss										
Mandatorily measured at fair value through profit or loss	\$ 732,999	486,580	(1,992)	1,553,513	-	333,058	549,074	-	410,328	2,144,756
Financial assets measured at fair value through other comprehensive income	3,599,886	-	(85,600)	594,154	-	-	131,198	-	-	3,977,242
Total	\$ 4,332,885	486,580	(87,592)	2,147,667	-	333,058	680,272	-	410,328	6,121,998

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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Items	For the year ended December 31, 2019									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase			Current decrease			Ending balance
				Purchase or issue	Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	
Financial assets measured at fair value through profit or loss										
Mandatorily measured at fair value through profit or loss	\$ 1,011,866	(76,079)	(5,823)	204,456	-	38,930	352,275	43,114	44,962	732,999
Designated as financial assets measured at fair value through profit or loss	1,130,284	(17,379)	(4,905)	-	-	-	1,108,000	-	-	-
Financial assets measured at fair value through other comprehensive income	3,373,876	-	340,940	15,053	-	7,095	137,078	-	-	3,599,886
Total	\$ 5,516,026	(93,458)	330,212	219,509	-	46,025	1,597,353	43,114	44,962	4,332,885

The policy for when to recognize the transfers in or out of Level 3 is according to the actual date of the event or change in circumstances. This transfer between Level 3 and Level 2 was due to a switch of valuation approach.

Unrealized gains (losses) associated with assets as of December 31, 2020 and 2019 which were recognized in current net income shown in the above table were \$329,960 of profit and \$13,175 of profit, respectively.

- 5) Statements of changes in financial liabilities which were classified to Level 3 based on fair value measurement.

Items	For the year ended December 31, 2020									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase			Current decrease			Ending balance
				Purchase or issue	Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	
Financial liabilities measured at fair value through profit or loss										
Financial liabilities held for trading	\$ 172,257	150,917	-	1,391,172	-	410,328	193,647	-	333,058	1,597,969
Financial liabilities designated at fair value through profit or loss	41,068,313	(402,107)	1,176,748	-	-	-	27,367,680	-	-	14,475,274
Total	\$ 41,240,570	(251,190)	1,176,748	1,391,172	-	410,328	27,561,327	-	333,058	16,073,243

Items	For the year ended December 31, 2019									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase			Current decrease			Ending balance
				Purchase or issue	Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	
Financial liabilities measured at fair value through profit or loss										
Financial liabilities held for trading	\$ 415,963	(132,970)	-	-	-	44,962	73,654	43,114	38,930	172,257
Financial liabilities designated at fair value through profit or loss	37,930,181	4,535,120	(1,396,988)	-	-	-	-	-	-	41,068,313
Total	\$ 38,346,144	4,402,150	(1,396,988)	-	-	44,962	73,654	43,114	38,930	41,240,570

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The policy for when to recognize the transfers in or out of Level 3 is according to the actual date of the event or change in circumstances. This transfer between Level 3 and Level 2 was due to a switch of valuation approach.

Unrealized gains (losses) associated with liabilities as of December 31, 2020 and 2019 which were recognized in current net income shown in the above table were \$2,098,315 of loss and \$5,372,363 of loss, respectively.

- 6) Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions used

Valuation techniques used by the Bank and subsidiaries for fair value measurements of financial instruments are appropriate. However, the use of different valuation models or inputs could lead to different outcomes of fair value measurements. The following statement analyses Level 3 sensitivities for those unobservable inputs in valuation models that have a material impact on the valuation of Level 3 financial instrument. The Bank and subsidiaries' major Level 3 financial instruments include:

- a) Back-to-back derivative transactions: the movements of fair value between financial assets and liabilities can be fully offset for back-to-back trades, so there is no material impact on the income statement.
- b) Financial debentures issued by the Bank: the sensitivity analysis based on the assumption of one basis point change in the Bank's credit spread would have the following effects on the statement of other comprehensive income.

	Impacts on the statement of other comprehensive income as fair value changes	
	Favorable changes	Unfavorable changes
December 31, 2020		
<u>Liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Designated as financial liabilities measured at fair value through profit or loss	\$ <u>3,327</u>	<u>(3,292)</u>
December 31, 2019		
<u>Liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Designated as financial liabilities measured at fair value through profit or loss	\$ <u>46,901</u>	<u>(46,644)</u>

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7) Quantitative information about the significant unobservable inputs in Level 3

Quantitative information about the significant unobservable inputs was as follows:

December 31, 2020					
<u>Recurring fair value measurements</u>	<u>Fair value</u>	<u>Valuation techniques</u>	<u>Key unobservable inputs</u>	<u>Range of inputs</u>	<u>The relation between inputs and fair value</u>
<u>Non-derivative financial instruments assets and liabilities</u>					
Assets:					
Financial assets measured at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 597,997	Net asset valuation method/ Market model	Net asset value /value multiple	Not applicable	The higher net asset value/value multiple, the higher fair value
Financial assets measured at fair value through other comprehensive income					
Investments in equity instruments	3,707,831	Net asset valuation method/ Market model	Net asset value /price-to-earning ratio/price-book ratio/price-to-sales ratio	Not applicable	The higher net asset value/price-to-earning ratio/price book ratio/price-to-sales ratio, the higher fair value
Investment in debt instruments	269,411	Discounted cash flow model	Interest rate	0.64%~0.68%	The higher interest rate, the lower fair value
Liabilities:					
Designated as financial liabilities measured at fair value through profit or loss	14,475,274	Interest rate option pricing model	Credit risk parameter	0.09%~2.85%	The higher credit risk parameter, the lower fair value
<u>Derivative financial instruments assets and liabilities</u>					
Assets:					
Financial assets measured at fair value through profit or loss	\$ 1,546,759	Interest rate option pricing model	Interest rate correlation coefficient	13%~97%	The higher correlation coefficient, the lower fair value
Liabilities:					
Financial liabilities measured at fair value through profit or loss	1,597,969	Interest rate option pricing model	Interest rate correlation coefficient	13%~97%	The higher correlation coefficient, the higher fair value

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		December 31, 2019				
		Fair value	Valuation techniques	Key unobservable inputs	Range of inputs	The relation between inputs and fair value
<u>Recurring fair value measurements</u>						
<u>Non-derivative financial instruments assets and liabilities</u>						
Assets:						
Financial assets measured at fair value through profit or loss						
	Mandatorily measured at fair value through profit or loss	\$ 614,711	Net asset valuation method/ Market model	Net asset value/ value multiple	Not applicable	The higher net asset value/ value multiple, the higher fair value
Financial assets measured at fair value through other comprehensive income						
	Investments in equity instruments	3,279,603	Net asset valuation method/ Market model	Net asset value /price-to-earning ratio/price-book ratio/price-to-sales ratio	Not applicable	The higher net asset value/price-to-earning ratio/price-book ratio/price-to-sales ratio, the higher fair value
	Investment in debt instruments	320,283	Discounted cash flow model	Interest rate	0.70%	The higher interest rate, the lower fair value
Liabilities:						
	Designated as financial liabilities measured at fair value through profit or loss	41,068,313	Interest rate option pricing model	Credit risk parameter	0.93%~1.44%	The higher credit risk parameter, the lower fair value
<u>Derivative financial instruments assets and liabilities</u>						
Assets:						
	Financial assets measured at fair value through profit or loss	118,288	Interest rate option pricing model	Interest rate correlation coefficient	51%~97%	The higher correlation coefficient, the lower fair value
Liabilities:						
	Financial liabilities measured at fair value through profit or loss	172,257	Interest rate option pricing model	Interest rate correlation coefficient	51%~97%	The higher correlation coefficient, the higher fair value

8) The valuation process to level 3 financial instruments

Market risk management unit is responsible for independent model validation, with using and confirming the reliable for independent market data, calibrating valuation model on a regular basis, executing back testing, as well as applying any fair value adjustments if necessary to ensure the valuation results are reasonable.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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(iii) Financial risk information

The major objective of the risk management of the Bank and subsidiaries is to control the risk under the scope approved by the board of directors by using effective management methods to utilize resource and create maximum economic profit. For major risks including credit risk, market risk, operational risk, liquidity risk and interest risk, the Bank and subsidiaries have established the risk management policies to serve as its primary principle, which covers managerial objective, organizational structure, accountability, and risk management procedures, and by implementing these mechanisms, operational risks can be controlled at an acceptable level.

The organization structure of risk management includes Board of Directors, Risk Management Committee, Senior Management and Global Risk Management Group. The scope of their authorities is illustrated as follows:

Board of Directors, who is responsible for the approval, review, supervision of risk strategies and risk policies, risk management frameworks, and creating the well balanced and independent risk management culture, serves as the primary guidance for all risks, ensure the operation of risk management and undertakes ultimate responsibility of overall risk management.

Risk Management Committee assists the Board in risk governance, by communicating, reporting, and recommendations; Risk Management Committee also builds appropriate risk authorization and will monitor and ensure risk authorization operates properly. We expect the senior managers to support the Bank's culture of risk management, through decision-making processes and leader's supportive behavior, and thus influence all employees and organization.

Senior Management establishes independent risk management functions and effective risks assessment mechanism in accordance with the policy direction of the board of directors to ensure that the Bank and subsidiaries operates properly. Senior Management establish an appropriate risk authorization system to supervise and ensure the proper operation of the system. Global Risk Management Group is responsible for planning and managing the Bank's risk profiles which include credit, market, operations, interest and liquidity risks of the banking book, developing proper policies and strategies relating to risk identification, measurement, control, and management, and supervising the implementation of system implementation, as well as system operation effectiveness.

1) Market Risk Management

Definition and sources of market risk management

Market risk is the risk that the Bank and subsidiaries' earnings, capital, or its ability to meet business objectives will be adversely affected by changes in the level, volatility, correlation, or liquidity of market risk factors, such as interest rate (including credit spread), foreign exchange, equity and commodity.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The market risk of the Bank and subsidiaries arises from either trading or non-trading portfolios. The trading portfolio includes positions arising from trading activities, which aim at benefiting from short-term price movements, such as proprietary trading and market making. The non-trading portfolio includes positions not held for the purpose of earning capital gains.

The market risk management framework for trading and non-trading portfolios is described as follows:

a) Trading Portfolios Management

i) Objective

The Market Risk Management Policy is the cornerstone of managing market risk-taking activities in the Bank and subsidiaries. The Policy is developed to establish definite market risk management mechanisms of financial transaction, to facilitate market risk communication within the Bank and subsidiaries, and to provide proper management.

ii) Market Risk Management Procedure and Measurement

1. Management Procedures

a. Risk identification

Risk-taking unit shall identify the market risk of financial instruments, and this should be clearly stated in the relevant product program documentation. Market risk management unit (MRMU) executes the identification of market risk independently.

b. Risk measurement

MRMU shall define appropriate and consistent market risk measurement methodologies in line with the business characteristics and risk source to properly evaluate the primary market risk exposure. The risk measurement shall be applied to daily management and shall serve as a foundation for market risk planning, monitoring, and controlling.

Valuation approach and market data adoption for calculating P/L, risk sensitivities, Value at Risk (VaR), stress testing should be approved by MRMU.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

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c. Risk controlling

Market risk limit is a tool for authorizing and controlling specific forms of market risk arising from the trading activities of the Bank and subsidiaries to ensure that the Bank and subsidiaries are not exposed to market risk beyond the risk appetite. Market risk limit management procedures, such as the establishment, approval, exception management and limit excess treatment, etc., shall comply with the relevant market risk management documents.

d. Risk reporting

Market risk reporting is an effective risk communication tool. MRMU shall submit market risk management reports to senior managers on a daily basis and periodically report the integrated market risk profile to senior executives and the Board to evaluate risk concentration and capacity of the Bank and subsidiaries and to form necessary risk adjusting strategies.

2. Risk Measurement Approaches

a. Value at Risk, VaR

The VaR system is developed and maintained for internal risk management purpose, and will be continually refined to meet the quantitative and qualitative standards of IMA (Internal Model Approach) requirements.

b. Stress Testing

Stress testing is used to calculate a range of trading exposures which result from extreme market events or scenarios. Stress testing measures the impact of exceptional changes in market rate/price, volatility or correlation in the fair value of trading portfolios as a supplement to VaR which is unable to capture the tail risk.

c. Factor Sensitivity

Factor sensitivity is a measurement for monitoring the cross-product exposures within each risk type, including but not limited to foreign exchange, interest rate, equity, commodity, and credit.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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iii) Market Risk Mitigation and Hedging

The Bank and subsidiaries' trading portfolios include spots and derivatives. The derivatives are employed to reduce spots exposure or combined with other derivatives to form trading strategy. MRMU evaluates and controls the mitigation effectiveness between trading positions and its' hedge positions by using risk measurement tools, such as VaR, risk sensitivities, etc.

iv) Interest Rate Risk Management

1. Definition

Interest rate risk arises from adverse changes in interest rates. Primary interest rate related instruments held in the Bank and subsidiaries' trading portfolios include bonds and interest rate derivatives, such as interest rate swaps, caps/floors, and swaptions.

2. Management Procedure

In order to effectively control the interest rate risk in the trading portfolios, the Bank and subsidiaries control interest rate risk by setting limits in different yield curves and currencies depending on its own business development and management needs.

3. Measurement Approach

PVBP, the change in fair value as the yield curve parallel shifts up by 0.01% (1bp), is used to measure interest rate risk exposures of the Bank and subsidiaries' trading portfolios.

Unit: In Thousands of New Taiwan Dollars

Yield curve parallel shift of +0.01%	Currency	December 31, 2020	December 31, 2019
	RMB	\$ (549)	(752)
	EUR	441	178
	IDR	(936)	(841)
	SGD	496	303
	NTD	706	(202)
	USD	5,048	2,557
	Others	(311)	(901)

v) Foreign Exchange Risk

1. Definition

Foreign exchange risk arises from adverse changes in exchange rates. Primary foreign exchange instruments held in the Bank and subsidiaries' trading portfolios include spots, forwards, and currency options.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
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2. Management Procedure

In order to effectively control the foreign exchange risk for the trading portfolios, the Bank and subsidiaries control foreign exchange risk by setting limits in different currencies or currency pairs depending on its own business development and management needs.

3. Measurement Approach

FX Delta, the change in net present value as the foreign exchange rate moves up by one unit, 1%, is used to measure foreign exchange risk exposure of the Bank and subsidiaries' trading portfolios.

Unit: In Thousands of New Taiwan Dollars

Underlying currency upward movement by 1%	Currency	December 31, 2020	December 31, 2019
	AUD	\$ (356)	(149)
	RMB	572	2,653
	EUR	(508)	363
	HKD	(2,561)	(4,028)
	IDR	2,068	376
	PHP	(449)	1,177
	USD	(5,770)	(4,760)
	VND	1,921	(1,357)
	Others	(50)	(972)

vi) Other Risk Factor Sensitivities

1. Equity Factor Sensitivity (Equity delta)

Equity Delta is the change in fair value as the underlying stock price or index price moves up by 1%. Primary equity instruments held in the Bank and subsidiaries' trading portfolios include stocks, convertible bonds, equity index futures and options.

2. Commodity Factor Sensitivity (Commodity delta)

Commodity Delta is the change in fair value as the underlying commodity price moves up by 1%. Primary commodity instruments held in the Bank and subsidiaries' trading portfolios include derivatives in gold and crude oil.

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3. Credit Spread Factor Sensitivity (CR01, Credit 01)

CR01 is the change in fair value as the credit spread shift up by 0.01% (1bp). Primary credit-linked instruments held in the Bank and subsidiaries' trading portfolios include credit default swaps.

<u>Equity factor sensitivity (Equity delta)</u>	<u>Country/ Commodity</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity Factor Sensitivity			
Stock price or index upward movement by 1%	Taiwan	\$ 2,337	7,888
	China	37	(590)
	USA	-	(703)
	Japan	-	(20)
Commodity Factor Sensitivity			
Commodity price upward movement by 1%	Gold	1	241
Credit Spread Factor Sensitivity			
Credit spread upward shift by 0.01%		(861)	(1,228)

b) Management Mechanism of Non-Trading Purpose Investment Portfolio

i) Management of Non-Trading Purpose Interest Rate Risk

1. Definition of Non-Trading Purpose Interest Rate Risk

Non-trading purpose interest rate risk of the Bank and subsidiaries refers to the impact on the profit or the equity of non-trading purpose interest rate sensitive assets and liabilities when interest rate changes.

Interest rate risk mainly stems from different sensitivity of assets and liabilities to interest rate change. Such risk could arise from mismatches of repricing timing amount of asset and liability, varying magnitude of changes in short-term and longer-term interest rates, various interest rate indexes to which asset and liability are linked, or embedded options.

2. Management Objective of Non-Trading Purpose Interest Rate Risk

The "Asset and Liability Management Policy" is the highest guideline of managing the Bank and subsidiaries' non-trading purpose interest rate risk. The Policy defines the authorities, responsibilities and management procedures. Through the Funds Transfer Mechanism (FTP) and funding activities, the Bank and subsidiaries navigate the asset and liability structure to keep the interest risk exposure within the risk appetite, attain a balanced risk profile and maximize shareholder value.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

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3. Management Procedures and Risk Measurement of Non-Trading Purpose Interest Rate Risk

In order to earn stabilized profits, the Bank and subsidiaries control the interest rate risk by keeping the interest rate exposures within the limit approved by the Board, centralizing the interest rate risk from business unit to specified unit through the Match-Term Fund Transfer Mechanism, and adjusting the funding positions proactively.

The measurement includes on balance sheet banking book interest-sensitive asset and liabilities, non-trading purpose financial instruments, and interest rate related derivatives which apply hedge accounting.

Interest rate risk monitoring unit periodically conducts the risk reports, which contain the analysis of limit usage, interest rate risk sensitivity and stress test. The risk report shall periodically be submitted to related risk management meetings.

The Bank and subsidiaries frequently measure interest rate risks by the following tools:

- a. Repricing Gap Report: This report measures the repricing gap between asset and liability by various time buckets in order to understand interest rate mismatch.
- b. Interest Rate Sensitivity:
 - i. Asset and Liability Mismatch: This measures the impact of 1 basis point change in interest rate on net interest income (NII) and that on economic value of equity (EVE). The analysis of such impact on NII ($1bp\Delta NII$) focuses on changes in interest income and expense within a year; hence, this analysis is of a short-term perspective. The analysis of such impact on EVE ($1bp\Delta EVE$) is of a long-term perspective as it focuses on changes of economic value which will become net interest income received every year later on.
 - ii. Non-trading purpose financial instruments specified: Use the PVBP to measure the impact of 1 basis point change in interest rate on fair value.
- c. Stress Test: This evaluates the impact of a significant change in interest rate on EVE. The test results will be compared with capital in order to examine the appropriateness of exposure.
- d. (Non-trading purpose financial instruments specified) Profit and Loss: This evaluates the market value of financial instrument, and aims to keep the impact on earnings or equity within the Bank and subsidiaries risk appetite.

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4. Risk Mitigation and Hedge of Non-Trading Purpose Interest Rate Risk

The Bank and subsidiaries set limits to manage risk. When an excess of limit is confirmed, the risk monitoring unit analyzes the impact; the business unit causing the changes in the risk should submit the action plan to the limit authority for approval. The relevant units should keep track of the effectiveness of the action plan and make prompt adjustments to ensure the risk will be effectively reduced.

The Bank and subsidiaries may adjust the interest rate risk exposure by adjusting the asset and liability structures or entering derivative with external counterparties. Prior to executing an external hedge, the hedge plan with specified hedged position, profit and loss analysis and detailed scheme shall gain approval from the limit authority. After a hedge executed, risk management unit shall periodically review the hedge execution and its effectiveness, and report to the limit authority depending on the impact.

ii) Management of Non-Trading Purpose Foreign Exchange Rate Risk

1. Definition and Sources of Non-Trading Purpose Foreign Exchange Rate Risk

Non-trading purpose foreign exchange (FX) rate risk of the Bank and subsidiaries refers to the impact on the profit or loss due to fluctuation of FX rate on the non-trading purpose FX positions.

2. Management Objective of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and subsidiaries' management objective of non-trading purpose FX risk aims to keep FX exposures within the risk appetite by the authorities, responsibilities and management procedures defined in the Policy.

3. Management Procedure and Risk Measurement of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and subsidiaries identify, measure, monitor, and report the FX risk through the thorough risk management framework and procedure. To control the FX risk, the Bank and subsidiaries periodically monitor the risk exposure according to the approved limit hierarchy and sweep FX risk centrally from business units to designated FX management unit. For overseas branches without a specified FX management unit, FX positions will be centrally managed by the Funding Management Unit. The risk factor which measures non-trading purpose Foreign Exchange Risk is "FX Delta", which measures the impact on the profit and loss when FX rate changes.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

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4. Non-Trading Purpose Foreign Exchange Rate Risk monitoring and reporting

The Bank and subsidiaries set the limits and control mechanisms to manage the FX risk. When an excess of limit is confirmed, the business unit will give an explanation on it and make an action plan; the action plan will then be submitted to the limit authority for approval after being reviewed by the risk management unit. The relevant units should keep track of the effectiveness of the action plan and make prompt adjustments to ensure the risk will be effectively reduced.

iii) Management of Non-Trading Purpose Equity Risk

1. Definition and Sources of Non-Trading Purpose Equity Risk

Non-trading purpose equity risk of the Bank and subsidiaries refer to the impact on the profit or loss due to equity price fluctuation of non-trading purpose equity positions.

2. Management Objective of Non-Trading purpose Equity Risk

The Bank and subsidiaries' management objective of non-trading purpose equity risk aims to keep equity exposures within the risk appetite and control severe impact on profit or owner equity by the authorities, responsibilities and management procedure defined in the Policy.

3. Management Procedure and Risk Measurement of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and subsidiaries identify, measure, monitor, and report the equity risk through the thorough risk management framework and procedure. To control the equity risk, the Bank and subsidiaries periodically monitor the risk exposure according to the approved limit hierarchy. The major aspects of Equity limits include the position limit and the year to date loss trigger.

4. Risk Mitigation and Hedge of Non-Trading Purpose Equity Risk

The Bank and subsidiaries set limits to manage risk. When an excess of limit is confirmed, the business unit should analyze the reasons and impacts, and make an action plan; the action plan will then be submitted to the limit authority for approval after being reviewed by the risk management unit. The relevant units should keep track of the effectiveness of the action plan and make prompt adjustments to ensure the risk will be effectively reduced.

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iv) Factor Sensitivity Analysis

Factor sensitivity analysis by the Bank and subsidiaries was summarized as below:

December 31, 2020			
Risk Items	Movement	Amount	
		Profit and Loss	Equity
Interest Rate Risk	Interest rate curve shift up 1bp	114,027	(96,576)
	Interest rate curve shift down 1bp	(114,027)	96,576
Foreign Exchange Rate Risk	Foreign currency appreciate 1% against NTD	627	-
	Foreign currency depreciate 1% against NTD	(627)	-
Equity Price Risk	Equity price appreciate 1%	7,112	149,456
	Equity price depreciate 1%	(7,112)	(149,456)

December 31, 2019			
Risk Items	Movement	Amount	
		Profit and Loss	Equity
Interest Rate Risk	Interest rate curve shift up 1bp	90,240	(90,373)
	Interest rate curve shift down 1bp	(90,240)	90,373
Foreign Exchange Rate Risk	Foreign currency appreciate 1% against NTD	152	-
	Foreign currency depreciate 1% against NTD	(152)	-
Equity Price Risk	Equity price appreciate 1%	8,287	117,325
	Equity price depreciate 1%	(8,287)	(117,325)

Note: When a fair value hedge or hedge of a net investment in a foreign operation is in conformity with all the conditions for applying hedge accounting, the mentioned positions will not be covered by summarized details above. Because the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items.

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c) Foreign exchange rate gap information

According to IFRS 7 “Financial Instruments: Disclosures” paragraph No. 34(a), an entity shall disclose summarized quantitative data about its exposure to that risk at the end of the reporting period. Significant foreign exchange rate risk exposure of the Bank and subsidiaries was as below:

		December 31, 2020		
		Foreign currency	Spot rate	NTD amount
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	33,609,077	28.5080	958,127,567
JPY		2,440,399,248	0.2765	674,770,392
RMB		37,966,711	4.3817	166,358,738
AUD		3,526,758	21.9711	77,486,753
HKD		10,528,993	3.6775	38,720,372
<u>Non-monetary items</u>				
USD		32,650	28.5080	930,786
JPY		2,538,999	0.2765	702,033
PHP		11,941	0.5937	7,089
<u>Investments under equity method</u>				
THB		17,195,228	0.9516	16,362,979
RMB		198,826	4.3817	871,195
JPY		485,659	0.2765	134,285
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$	41,310,550	28.5080	1,177,681,159
JPY		2,337,764,847	0.2765	646,391,980
RMB		33,325,590	4.3817	146,022,738
HKD		6,018,213	3.6775	22,131,978
AUD		877,081	21.9711	19,270,434

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				December 31, 2019		
				Foreign currency	Spot rate	NTD amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	31,553,524		30.1060		949,950,394
JPY		2,403,254,074		0.2770		665,701,378
RMB		37,107,616		4.3219		160,375,408
AUD		2,677,375		21.1043		56,504,125
HKD		12,484,119		3.8659		48,262,356
<u>Non-monetary items</u>						
USD		30,766		30.1060		926,241
JPY		2,582,895		0.2770		715,462
PHP		11,941		0.5942		7,095
<u>Investments under equity method</u>						
THB		17,730,285		1.0091		17,891,631
RMB		178,848		4.3219		772,965
JPY		873,379		0.2770		241,926
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$	37,413,367		30.1060		1,126,366,827
JPY		2,333,413,900		0.2770		646,355,650
RMB		33,049,699		4.3219		142,837,495
AUD		1,836,899		21.1043		38,766,463
HKD		6,880,067		3.8659		26,597,651

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- d) Disclosure items required by the “ Regulations Governing the Preparation of Financial Reports by Public Banks”
- i) Interest rate sensitivity information
1. Sensitivity analysis of interest rate for assets and liabilities (New Taiwan Dollars)

December 31, 2020

Unit: In Thousands of New Taiwan Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 1,925,734,151	202,652,638	57,026,384	181,074,708	2,366,487,881
Interest rate sensitive liabilities	596,283,538	1,363,816,242	145,572,675	65,277,558	2,170,950,013
Interest rate sensitivity gap	1,329,450,613	(1,161,163,604)	(88,546,291)	115,797,150	195,537,868
Net worth					312,299,844
Ratio of interest rate sensitive assets to liabilities (%)					109.01
Ratio of interest rate sensitivity gap to net worth (%)					62.61

December 31, 2019

Unit: In Thousands of New Taiwan Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 1,733,402,908	187,295,287	61,536,648	151,792,800	2,134,027,643
Interest rate sensitive liabilities	602,775,063	1,135,164,018	121,760,897	62,732,584	1,922,432,562
Interest rate sensitivity gap	1,130,627,845	(947,868,731)	(60,224,249)	89,060,216	211,595,081
Net worth					309,248,164
Ratio of interest rate sensitive assets to liabilities (%)					111.01
Ratio of interest rate sensitivity gap to net worth (%)					68.42

Note:

1. The aforementioned are the Bank’s position denominated in NTD, and do not include contingent assets or liabilities.
2. Interest rate sensitive assets and liabilities are the interest-earning assets or interest-bearing liabilities whose revenue or costs are affected by interest rate change.
3. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities.
4. Ratio of interest rate sensitive assets to liabilities = Interest rate sensitive assets / Interest-rate-sensitive liabilities (denominated in NTD).

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2020

Unit: In Thousands of U.S. Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 13,135,202	624,932	203,716	7,991,356	21,955,206
Interest rate sensitive liabilities	7,871,899	17,941,452	2,612,849	492,431	28,918,631
Interest rate sensitivity gap	5,263,303	(17,316,520)	(2,409,133)	7,498,925	(6,963,425)
Net worth					10,954,814
Ratio of interest rate sensitive assets to liabilities (%)					75.92
Ratio of interest rate sensitivity gap to net worth (%)					(63.56)

December 31, 2019

Unit: In Thousands of U.S. Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 12,115,139	570,006	545,810	6,472,654	19,703,609
Interest rate sensitive liabilities	9,113,994	13,178,655	1,400,856	1,476,414	25,169,919
Interest rate sensitivity gap	3,001,145	(12,608,649)	(855,046)	4,996,240	(5,466,310)
Net worth					10,271,978
Ratio of interest rate sensitive assets to liabilities (%)					78.28
Ratio of interest rate sensitivity gap to net worth (%)					(53.22)

Note:

1. The aforementioned are the Bank's position denominated in USD, and do not include contingent assets or liabilities.
2. Interest rate sensitive assets and liabilities are the interest-earning assets or interest-bearing liabilities whose revenue or costs are affected by interest rate change.
3. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities.
4. Ratio of interest rate sensitive assets to liabilities = Interest rate sensitive assets / Interest rate sensitive liabilities (denominated in USD)

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Credit Risk Management

a) Definition and Sources of Credit Risk Management

Credit risk of the Bank and subsidiaries refers to the risk of financial loss if a obligor, guarantor or counterparty fails to meet its contractual obligations. Credit risk arises from both on-balance-sheet and off-balance-sheet items. On-balance-sheet items include Loan, Discounting bills and notes, Credit Card, Due from Central Bank and Call loans to banks, Debt Investment and Derivatives Transaction, etc. Off-balance-sheet items mainly include Guarantees, Bank Acceptance, Letter of Credit and Loan Commitments.

b) Objectives of Credit Risk Management

The objective of credit risk management is to minimize the potential financial losses by appropriate strategies, policies and procedures. By strengthening credit risk management framework, which is transparent, systematic, professional and well-established, credit risk management is rooted in its corporate governance to reinforce business performance and improve shareholder's equity.

c) Credit Risk Management Process and Credit Risk Measurement

i) Credit Risk Management Process

1. Risk Identification

Credit risk comes from the default risk and significant credit deteriorated of a obligor, change on collateral value or the default risk of derivatives counterparty. Defining credit risk factors for identification shall consider not only internal business operations but also external economic environmental changes.

2. Risk Measurement

In order to appropriately evaluate and monitor obligor's credit risk, the Bank and subsidiaries implement the internal rating system factored in the characteristics of obligors and products to quantify it. The corresponding policies and procedures are established and the regular model validation mechanism is executed to ensure the appropriateness and effectiveness of the model performance. Besides credit rating, credit risk management policy and experienced (senior) credit officers' judgment supplement the credit application on credit approval, facility management and performance analysis, etc.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3. Risk Monitoring

To ensure credit risk is under control, the Bank has established credit risk limit management mechanism, and set up the information management system to monitor the credit risk portfolio and risk concentration situation. The Bank and subsidiaries have developed comprehensive credit policies and procedures covering a credit cycle for facilitating the control of credit risk by responsible units, such as procedures about credit extension and credit evaluation, interim review mechanism, guideline for early warning and watch list accounts, guideline for collateral appraisal and management, rules of treasury credit risk mitigation, procedure for problem assets management, guideline for provision allowance and so on, to reduce the probability of credit loss and ensure our financial claim on exposure.

4. Risk Reporting

Credit risk management unit periodically prepares credit risk management reports and submits these reports to senior management. The reports disclose the Bank and subsidiaries' credit risk profile from various dimensions, such as asset quality, portfolio concentration, industry sector exposure, scorecard model validation result, etc.

ii) Measurement of Credit Risk

1. Internal Rating System

The development of internal rating system and the estimation of parameters for credit risk measurement are based on the Bank and subsidiaries' internal historical data and the experience of internal experts. The three major risk components include Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are used to measure the expected loss and unexpected loss, to assist the Bank and subsidiaries in their stable growth of long-term operation.

a. Probability of default

The Bank and subsidiaries' institutional banking group has developed various scorecard models for Jumbo Enterprise, Middle Enterprise, Small Enterprise, Real Estate Developer and Personal, etc. based on obligor's characteristics, including exposure types, industrial characteristics, revenue scales, and the correspondent with the Bank. The Bank also develop a master scale to segment obligor's default risk; each segment of the master scale is associated with a predefined forward-looking probability of default. As for retail banking group, we has leveraged the customer-centric based credit risk scorecard model to generate the risk rating by predefined one-year forward-looking probability of default.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

b. Loss given default

The Bank's institutional banking group calculates the parameters of LGD, such as Collateral Recovery Rate, based on the product characteristics, collateral types, and guarantee forms, etc. The parameters are used to estimate the LGD for each facility. CTBC retail banking group established the LGD rating with long-run default-weighted average LGD, which is developed according to the characteristics of products and collaterals.

c. Exposure at default

Exposure at default is calculated by current outstanding plus potential extra outstanding at default. The credit conversion factor (CCF) for potential extra outstanding at default is calculated by taking the facility commitment, usage ratio, loan outstanding and headroom into consideration. For off-balance-sheet exposure, CCF is used to estimate the portion of off-balance-sheet exposure converted into on-balance-sheet if default.

2. Stress Testing

Depending on credit risk materiality and business scale, stress testing of credit risk portfolios was implemented. Stress testing helps the Bank and subsidiaries aware of the possible change of risk component resulting from stress event, and assesses the amount of capital needed to absorb losses or plan remedial actions to mitigate the impact of exceptional loss when such incident occurs.

d) Mitigation of Credit Risk

i) Collateral Management

In assessing the credit extension, obligor's business prospect, future cash flow, and repayment ability and willingness are the main factors for identifying the repayment sources. However, for the creditor's sake, the Bank, under government regulations, may ask the obligor or a third party to deliver pledge of real estate, chattel, or securities as collateral which can be disposed for recovering the Bank's claim on exposure if the obligor defaults.

In order to maintain the good standing value of collateral, the Bank and subsidiaries have established guidelines regarding collateral management, which are as follows. By taking the volatility of market value and the characteristic of collateral into account, the Bank and subsidiaries set the type of collateral that can be pledged and consider the historical recovery experience to draw up the highest loan to value. To verify the fairness of the value of the collateral, collaterals are appraised not only through valuation reports issued by professional appraisers but also market price and the actual registered price. With the periodic reappraisal, the adequacy of the collateral with high fluctuations can be timely monitored.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ii) Pre-settlement risk mitigation

For pre-settlement risk, the Bank and subsidiaries might take mitigation actions such as calling for additional collateral (or margin), signing a netting agreement or signing an early determination agreement so as to reduce the credit loss.

iii) Post-lending monitoring mechanisms

For post lending monitoring through interim review mechanism to control the change of customer's risk, the review frequency and content depend on the risk grade of customers. The Bank and subsidiaries stipulated Guideline for Interim Reviews based on the principle about interim review issued by The Bankers Association of The Republic of China. Interim review items cover change of borrower's business, inspection of credit standing, change of business operation and financial condition, change of the collateral, change of bank debt, the proceeds in accordance with funding purpose, and change of repayment sources and so on. If there is significant change of obligor's business and credit status, the credit grade will be re-rated and facilities might be adjusted depending on the situation.

iv) Credit Risk Assessment Review

In order to ensure the adequacy of entire credit risk management and control mechanisms, portfolio credit risk and management process are assessed, reviewed, monitored and examined periodically by the Bank and subsidiaries, to assist the Bank and subsidiaries in their stable growth of long-term operation.

v) External guarantee

In order to enhance the credit protection for weak small and medium business borrowers and risk mitigation for the unsecured exposure of small and medium business borrower, external guarantee provided by R.O.C. SMEG fund approved by government is one of the eligible guarantees.

vi) Concentrations Risk Management

Besides periodic and intermittent monitoring by various risk components on credit risk exposure via different relevant credit risk management reports, the Bank and subsidiaries have risk limit control mechanism, effective after approval by the board of directors, at the level of asset portfolio and the level of group, considering that changes in external macro environment are likely to introduce concentration risk from customers with the same characteristics.

Dimensions of limit ceiling monitoring include country risk, high risk grade obligors, product types, industry, treasury limit, project limit, collateral, in the same affiliate and counterparty, and so on.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

e) Maximum exposure to credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance-sheet financial assets is equal to the carrying values.

Please refer to Note 6(ao) 3) g. for off-balance sheet financial instruments' maximum exposure to credit risk maturity analysis.

f) Concentrations of credit risk

Significant concentrations of credit risk occur when there are exposures, significant enough to threaten a Bank's security or its ability to maintain core businesses, to an individual counterparty to a transaction or a number of related counterparties engage in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentrations of credit risk originate from assets, liabilities, and off-balance-sheet items by means of performing an obligation to deliver products or service, execution of a trade, or combination of cross-classification exposures. The Bank and subsidiaries have proper internal policies, systems, and controls to recognize, measure, monitor, and control concentrations of credit risk. The following table illustrates the diversification of the loan portfolio among industry sectors and geographical regions of the Bank and subsidiaries.

i) By Industry

		December 31, 2020								
		Individual Clients	Service	Public Sector	High Tech	Real Estate	Manufacturing	Financial Institution	Others	Total
<u>On balance sheet</u>										
Receivables—Credit card	\$	83,231,573	-	-	-	-	-	-	-	83,231,573
Receivables—Factoring		-	3,871,628	-	15,051,345	9,499	2,044,850	1,278,149	-	22,255,471
<u>Loans</u>										
-Consumer loans		939,908,740	-	-	-	-	-	-	-	939,908,740
-Corporate loans		88,228,143	77,372,758	154,282,794	62,665,348	92,951,429	100,678,636	6,265,100	56,432	582,500,640
-Micro-business loans		3,703,224	7,015,408	-	1,144,576	1,627,217	2,356,700	182,854	8,758	16,038,737
-Foreign currency loans		253,035,892	239,915,877	19,201,430	44,917,445	138,199,020	158,244,272	102,353,633	5,240,079	961,107,648
-Non-accrual loans		4,317,057	3,359,456	65	72,755	195,787	3,002,584	211,470	58,283	11,217,457
-Adjustment of discount and premium		(361,908)	(315,360)	-	(31,489)	(143,479)	(86,702)	(53,109)	(39,396)	(1,031,443)
Other financial assets		94,747	35,336	-	-	202	639	-	11,479	142,403
Total	\$	1,372,157,468	331,255,103	173,484,289	123,819,980	232,839,675	266,240,979	110,238,097	5,335,635	2,615,371,226
<u>Off balance sheet</u>										
Guarantee and commitment	\$	612,767,459	161,984,170	78,210,042	260,874,751	80,551,991	329,513,971	78,059,644	1,565,157	1,603,527,185

		December 31, 2020				
		Public Sector	Corporate	Financial Institution	Individual Clients	Total
Financial assets measured at fair value through other comprehensive income— investment in debt instruments	\$	90,818,250	67,655,850	160,024,168	15,681,941	334,180,209
Financial assets—hedging		-	-	16,394	-	16,394
Investment in debt instruments at amortized cost		661,839,876	100,814,598	18,861,938	-	781,516,412
Total	\$	752,658,126	168,470,448	178,902,500	15,681,941	1,115,713,015

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019								
	Individual Clients	Service	Public Sector	High Tech	Real Estate	Manufacturing	Financial Institution	Others	Total
<u>On balance sheet</u>									
Receivables—Credit card	\$ 85,031,076	-	-	-	-	-	-	-	85,031,076
Receivables—Factoring	-	2,102,248	-	10,138,384	2,894	2,519,739	1,661,015	-	16,424,280
<u>Loans</u>									
-Consumer loans	822,358,168	-	-	-	-	-	-	-	822,358,168
-Corporate loans	80,350,634	78,245,704	166,469,876	61,297,318	85,038,355	99,939,143	6,805,810	56,343	578,203,183
-Micro-business loans	3,533,222	4,926,288	-	938,274	1,167,745	2,055,586	163,814	23,953	12,808,882
-Foreign currency loans	265,308,325	259,726,999	17,778,867	40,144,294	144,385,662	180,631,937	111,009,979	10,592,327	1,029,578,390
-Non-accrual loans	4,171,568	1,924,909	-	329,203	281,332	1,099,469	211,540	108,834	8,126,855
-Adjustment of discount and premium	(246,508)	(369,739)	(145)	(43,071)	(167,627)	(89,693)	(59,712)	(48,309)	(1,024,804)
Other financial assets	110,190	-	-	-	-	3,040	-	17,506	130,736
Total	\$ 1,260,616,675	346,556,409	184,248,598	112,804,402	230,708,361	286,159,221	119,792,446	10,750,654	2,551,636,766
<u>Off balance sheet</u>									
Guarantee and commitment	\$ 589,091,651	162,169,178	85,218,578	230,026,728	75,547,732	319,747,652	98,820,658	3,439,266	1,564,061,443

	December 31, 2019				
	Public Sector	Corporate	Financial Institution	Individual Clients	Total
Financial assets measured at fair value through other comprehensive income—investment in debt instruments	\$ 97,875,893	40,195,624	149,609,034	17,857,691	305,538,242
Financial assets—hedging	172,046	-	158,718	-	330,764
Investment in debt instruments at amortized cost	597,774,283	76,446,451	20,806,171	-	695,026,905
Total	\$ 695,822,222	116,642,075	170,573,923	17,857,691	1,000,895,911

ii) By Area

	December 31, 2020				
	Taiwan	North America	Asia (excluding Taiwan)	Others	Total
<u>On balance sheet</u>					
Financial assets measured at fair value through other comprehensive income—investment in debt instruments	\$ 35,157,330	90,761,553	179,927,516	28,333,810	334,180,209
Financial assets—hedging	-	-	16,394	-	16,394
Receivables—Credit card	83,231,573	-	-	-	83,231,573
Receivables—Factoring	8,097,656	1,052,238	12,134,002	971,575	22,255,471
<u>Loans</u>					
<u>Consumer finance</u>					
—Mortgage loans	764,607,413	-	-	-	764,607,413
—Automobile loans	169	-	-	-	169
—Consumer loans	175,301,158	-	-	-	175,301,158
<u>Corporate finance</u>					
—Corporate loans	581,372,468	-	1,056,172	72,000	582,500,640
—Micro-business loans	16,030,448	-	8,289	-	16,038,737
Foreign currency loans	29,769,569	122,270,317	747,968,752	61,099,010	961,107,648
Non-accrual loans	1,201,117	424,983	8,867,384	723,973	11,217,457
Adjustment of discount and premium	(493,865)	(21,988)	(467,234)	(48,356)	(1,031,443)
Investment in debt instruments at amortized cost	585,511,770	111,432,349	71,713,936	12,858,357	781,516,412
Other financial assets	94,747	-	47,656	-	142,403
Total	\$ 2,279,881,553	325,919,452	1,021,272,867	104,010,369	3,731,084,241
<u>Off balance sheet</u>					
Guarantee and commitment	\$ 1,260,902,000	17,611,449	305,278,905	19,734,831	1,603,527,185

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CTBC BANK CO., LTD. AND SUBSIDIARIES

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	December 31, 2019				
	Taiwan	North America	Asia (excluding Taiwan)	Others	Total
<u>On balance sheet</u>					
Financial assets measured at fair value through other comprehensive income-investment in debt instruments	\$ 32,306,279	69,560,531	159,121,806	44,549,626	305,538,242
Financial assets – hedging	264,369	-	66,395	-	330,764
Receivables – Credit card	85,031,076	-	-	-	85,031,076
Receivables – Factoring	6,519,110	915,834	7,674,405	1,314,931	16,424,280
<u>Loans</u>					
<u>Consumer finance</u>					
– Mortgage loans	693,411,878	-	-	-	693,411,878
– Automobile loans	229	-	-	-	229
– Consumer loans	128,946,061	-	-	-	128,946,061
<u>Corporate finance</u>					
– Corporate loans	577,799,539	-	337,144	66,500	578,203,183
– Micro-business loans	12,800,168	-	8,714	-	12,808,882
Foreign currency loans	22,296,306	129,441,336	812,891,675	64,949,073	1,029,578,390
Non-accrual loans	1,518,959	411,378	6,177,774	18,744	8,126,855
Adjustment of discount and premium	(418,180)	27,409	(571,028)	(63,005)	(1,024,804)
Investment in debt instruments at amortized cost	507,017,666	118,520,534	59,272,885	10,215,820	695,026,905
Other financial assets	110,190	-	20,546	-	130,736
Total	<u>\$ 2,067,603,650</u>	<u>318,877,022</u>	<u>1,045,000,316</u>	<u>121,051,689</u>	<u>3,552,532,677</u>
<u>Off balance sheet</u>					
Guarantee and commitment	<u>\$ 1,181,534,011</u>	<u>22,058,562</u>	<u>341,728,026</u>	<u>18,740,844</u>	<u>1,564,061,443</u>

- g) Credit risk analysis of financial assets, loan commitments and financial guarantee contracts of the Bank and subsidiaries

The measurement of expected credit losses of the Bank and subsidiaries is based on internal rating system and the estimation of three major credit risk components including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are used to measure the 12-month and lifetime expected credit losses.

For Probability of Default, the Bank's institutional banking group develop the risk segmentation according to obligor's country, internal rating, status of credit risk, and industry. As for retail banking group, the risk segmentation is developed according to obligor's risk characteristics, credit score, and delinquency status.

For Loss Given Default, the Bank's institutional banking group develop the risk segmentation depending on whether the asset is partially secured, fully secured, or other else. As for retail banking group, risk factors are derived from the product characteristics, such as Loan-to-value, exposure, and collateral type.

Current exposure method or expected exposure approach is adopted for the estimation of exposure at default. The on-balance sheet exposure at default is measured by gross carrying amount (including accrued interest and accrued fees); the off-balance sheet exposure at default is estimated by carrying amount multiplied by credit conversion factor (CCF) under the Basel Accords - the standardize approach for credit risk.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The criteria for identifying the significant increases in credit risk are set as below:

- i) Delinquent asset with interest or principal payments over 30 days; delinquent asset with interest or principal payments over 45 days for recourse factoring exposure; delinquent asset with interest or principal payments over 60 days for non-recourse factoring exposure (considering the credit risk characteristics and the amount of time required for reconciliation process, special overdue days criteria have been set to both Recourse and Non-recourse Factoring exposure).
- ii) Obligor's risk rating or collateral value at the reporting date deteriorates significantly compared to that at the initial recognition date.
- iii) Obligor placed in early warning list due to the mechanism of early warning or the probability of default of obligor similar with delinquent asset at reporting date.

The objective evidence of impairment generally includes the items as below:

- i) Significant financial difficulty of the issuer or obligor;
- ii) Adverse changes in the repayment status of borrower;
- iii) A breach of contract, such as a default or past due event;
- iv) The lender, for economic or contractual reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- v) Decease, dissolution, or it becoming probable that the borrower will file for bankruptcy or undergo financial reorganization;
- vi) The disappearance of an active market for that financial asset because of financial difficulties;
- vii) Purchased or originated credit-impaired financial asset at a significant discount to the contractual par amount;
- viii) Counterparty defaulting on agreement of other financial instruments (e.g., transactions settlement failure, a bank decide to execute early termination of transactions, or loans originated from derivatives settlement failure).

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Estimation of expected credit losses that incorporates forward-looking information:

By analyzing the historically macroeconomic data, the relevant macroeconomic factors for credit risk of each portfolio (e.g., economic growth rate, consumer price index, interest rate or unemployment rate) are recognized, which are further adopted based on the correlation of the Bank's loss experience and consistency of forecast. The risk signals then are developed based on the chosen macroeconomic factors and apply the forward-looking adjustment by incorporating the internal and external loss experiences. Besides, to derive and reflect macro light forecasts for the next three years in the estimation of impairment allowance, the Bank considers and gets the average of macroeconomics forecasting derived from the chosen Business, Public Agencies, and Academic Institutions.

There is no significant change on the methodology or assumptions for assessment of expected credit losses at the reporting date.

Some financial assets held by the Bank and subsidiaries, such as cash and equivalent cash, due from central bank, call loans to banks, financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, securities purchased under resell agreements, refundable deposits, operational guarantee deposits, and settlement fund, are excluded from this analysis since most of counterparties are normally with good credit quality and can be considered as low credit risk. Some products, such as certificate of deposit loan, due from banks, and call loans to banks, are treated as products with low credit risk in consideration of their characteristics and zero historically impaired experience. Below tables provide the expected credit risk analysis for the rest of financial assets.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020

Item	Stage 1			Stage 2			Stage 3			Total(A)+(B)+(C)+(D)-(E)		
	Investment grade	Sub-investment grade	High Risk grade	Subtotal(A)	Investment grade	Sub-investment grade	High Risk grade	Subtotal(B)	Individually assessed impaired(C)		Collectively assessed impaired(D)	Impairment allowances(E)
On balance sheet												
Financial assets measured at fair value through other comprehensive income-investment in debt instruments	\$ 300,187,018	29,173,866	4,819,325	334,180,209	-	-	-	-	-	-	52,701	334,127,508
Financial assets—hedging	16,394	-	-	16,394	-	-	-	-	-	-	-	16,394
Receivables—Credit card	68,200,941	8,933,174	2,993,532	80,127,647	3,038	8,222	230,896	242,156	-	2,861,770	1,027,193	82,204,380
Receivables—Factoring	9,559,896	11,152,454	922,700	21,635,050	-	476	-	476	619,945	-	529,853	21,725,618
Loans												
Consumer finance												
—Mortgage loans	751,398,363	7,695,588	2,057,816	761,151,767	94,311	-	77,743	172,054	-	3,283,592	283,059	764,324,354
—Automobile loans	-	-	-	-	-	-	-	-	-	169	12	157
—Consumer loans	121,559,064	34,716,900	10,225,666	166,501,630	27,212	57,399	798,458	883,069	-	7,916,459	3,107,788	172,193,370
Corporate finance												
—Corporate loans	283,903,133	254,460,096	41,522,325	579,885,554	-	405,068	1,077,410	1,482,478	1,132,608	-	604,476	581,896,164
—Micro-business loans	16,677	12,018,020	3,213,619	15,248,316	-	184,308	516,612	700,920	87,176	2,325	78,736	15,960,001
Foreign currency loans	377,800,370	389,405,371	165,737,020	932,942,761	37,882	1,480,672	12,043,753	13,562,307	13,725,547	877,033	6,195,431	954,912,217
Non-accrual loans	10,685	-	-	10,685	-	233,067	1,190,448	1,423,515	4,480,668	5,302,589	4,936,465	6,280,992
Adjustment of discount and premium	(497,304)	(392,193)	(102,226)	(991,723)	262	-	(30,756)	(30,494)	(6,802)	(2,424)	(685)	(1,030,758)
Investment in debt instruments at amortized cost	738,533,038	29,006,883	12,312,091	779,852,012	-	-	1,389,415	1,389,415	274,985	-	49,686	781,466,726
Other financial assets	47,656	-	-	47,656	-	-	-	-	-	94,747	58,619	83,784
Total	\$ 2,650,735,931	776,170,159	243,701,868	3,670,607,958	162,705	2,369,212	17,293,979	19,825,896	20,314,127	20,336,260	16,923,334	3,714,160,907
Off balance sheet												
Guarantee and commitment	\$ 1,114,087,805	392,356,629	94,856,198	1,601,300,632	2,452	28,563	1,499,728	1,530,743	11,381	684,429	465,783	1,603,061,402

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Item	December 31, 2019										Total(A)+(B)+(C)+(D)-(E)	
	Stage 1			Stage 2			Stage 3			Impairment allowances(E)		
	Investment grade	Sub-investment grade	High Risk grade	Subtotal(A)	Investment grade	Sub-investment grade	High Risk grade	Subtotal(B)	Individually assessed impaired(C)			Collectively assessed impaired(D)
On balance sheet												
Financial assets measured at fair value through other comprehensive income-investment in debt instruments	\$ 255,538,820	47,819,172	2,180,250	305,538,242	-	-	-	-	-	-	-	305,482,453
Financial assets—hedging	297,565	33,199	-	330,764	-	-	-	-	-	-	-	330,764
Receivables—Credit card	69,786,189	8,936,867	3,022,083	81,745,139	(100)	5,287	207,670	212,857	-	3,073,080	1,104,095	83,926,981
Receivables—Factoring	7,442,066	6,031,639	2,293,758	15,767,463	1,619	503	-	2,122	654,695	-	550,928	15,873,352
Loans												
Consumer finance												
—Mortgage loans	680,866,654	7,038,517	1,697,061	689,602,232	86,986	15,722	88,163	190,871	-	3,618,775	304,014	693,107,864
—Automobile loans	-	-	-	-	-	-	-	-	-	229	15	214
—Consumer loans	88,368,168	24,735,932	7,567,771	120,671,871	20,024	27,044	588,299	635,367	-	7,638,823	2,732,978	126,213,083
Corporate finance												
—Corporate loans	296,495,886	242,712,594	36,122,366	575,330,846	-	334,814	784,692	1,119,506	1,752,831	-	1,335,402	576,867,781
—Micro-business loans	151,593	10,378,062	1,835,411	12,365,066	-	138,871	163,131	302,002	134,190	7,624	56,323	12,752,559
Foreign currency loans	419,338,719	435,652,376	157,404,763	1,012,395,858	45,770	721,205	7,569,368	8,336,343	8,476,728	369,461	6,549,564	1,023,028,826
Non-accrual loans	4,704	-	-	4,704	-	67,436	40,077	107,513	3,548,298	4,466,340	3,884,709	4,242,146
Adjustment of discount and premium	(389,674)	(475,213)	(144,426)	(1,009,313)	418	(7)	(11,569)	(11,158)	(2,694)	(1,639)	(481)	(1,024,323)
Investment in debt instruments at amortized cost	628,823,142	58,185,211	7,743,583	694,751,936	-	-	274,969	274,969	-	-	31,433	694,995,472
Other financial assets	17,506	-	-	17,506	-	-	-	-	3,040	110,190	75,429	55,307
Total	\$ 2,446,741,338	841,048,356	219,722,620	3,507,512,314	154,717	1,310,875	9,704,800	11,170,392	14,567,088	19,282,883	16,680,198	3,535,852,479
Off balance sheet												
Guarantee and commitment	\$ 1,061,305,810	424,031,607	76,990,399	1,562,327,816	665	7,015	1,191,682	1,199,362	16,146	518,119	498,078	1,563,563,365

Note 1: The balances of impairment allowance, as shown above, are in compliance with the IFRSs accepted by FSC.

Note 2: Stage 1 is the loss allowance measured at 12-month expected credit loss of financial instrument.

Stage 2 is the loss allowance measured at lifetime ECL measurement and the credit risk of a financial asset at the reporting date has increased significantly.

Stage 3 is the loss allowance measured at lifetime ECL measurement and the credit losses has impaired of a financial asset at the reporting date.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

h) Foreclosed properties

Foreclosed properties of the Bank and subsidiaries are classified under other assets. Please refer to Note 6(q).

i) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

i) Asset quality of the Bank and subsidiaries' non-performing loans and overdue receivables

Unit: In Thousands of New Taiwan Dollars, %

Month/ Year		December 31, 2020					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate finance	Secured	2,196,506	477,289,093	0.46 %	17,212,060	210.43 %	
	Unsecured (Note 10)	5,983,095	834,953,548	0.72 %			
Consumer finance	Residential mortgages	2,211,984	888,289,245	0.25 %	8,920,700	403.29 %	
	Cash cards	23,577	1,482,547	1.59 %	55,053	233.50 %	
	Micro credit loans	Original	1,573,022	171,915,643	0.91 %	5,673,539	360.68 %
		Purchase	-	60	- %	-	- %
	Others	Secured	101,625	130,256,063	0.08 %	1,942,350	442.06 %
		Unsecured	337,760	6,587,023	5.13 %		
Total loan business		12,427,569	2,510,773,222	0.49 %	33,803,702	272.01 %	
		Overdue receivables	Balance of receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio	
Credit cards business		91,705	83,326,320	0.11 %	1,085,394	1,183.57 %	
Without recourse factoring		-	22,255,471	- %	768,311	- %	

Month/ Year		December 31, 2019					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate finance	Secured	1,384,396	464,844,676	0.30 %	18,053,925	425.63 %	
	Unsecured (Note 10)	2,857,292	893,081,772	0.32 %			
Consumer finance	Residential mortgages	2,149,030	847,953,076	0.25 %	8,246,359	383.72 %	
	Cash cards	29,075	1,811,555	1.60 %	68,505	235.61 %	
	Micro credit loans	Original	1,547,831	126,721,917	1.22 %	4,797,851	309.97 %
		Purchase	-	90	- %	1	- %
	Others	Secured	144,223	110,154,507	0.13 %	1,192,853	296.87 %
		Unsecured	257,583	6,507,885	3.96 %		
Total loan business		8,369,430	2,451,075,478	0.34 %	32,359,494	386.64 %	
		Overdue receivables	Balance of receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio	
Credit cards business		106,454	85,141,266	0.13 %	1,176,209	1,104.90 %	
Without recourse factoring		-	16,424,280	- %	703,950	- %	

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Note 1: Non-performing loans represent the amount of overdue loans as reported in accordance with the “Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans.” The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin Kuan Yin (4) Zi No. 0944000378, dated July 6, 2005.
- Note 2: Non-performing loans ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ balance of receivables.
- Note 3: Coverage ratio for loans = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card = allowance for credit losses ÷ overdue receivables.
- Note 4: For residential mortgage loans, a borrower provides his/her (or spouse’s or minor child’s) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.
- Note 5: Microcredit loans are defined by Jin Kuan Yin (4) Zi No. 09440010950, dated December 19, 2005, and do not include credit cards or cash cards.
- Note 6: Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash cards, and microcredit loans, and do not include credit cards.
- Note 7: In accordance with Jin Kuan Yin (5) Zi No. 094000494, dated July 19, 2005, receivables without recourse factoring will be classified as overdue receivables within 3 months after the date that suppliers or insurance companies resolve not to compensate the loss.
- Note 8: The balances of impairment allowance, as shown above, are calculated in accordance with the IFRSs accepted by FSC and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”, and other related regulations. Additionally, the amounts exclude non-accrual loans arising from guarantees. Related allowance for credit losses is recognized under provisions.
- Note 9: Supplemental disclosures:
- The information below shows supplemental disclosures of the Bank’s loans and receivables that may be exempted from reporting as non-performing loans and overdue receivables, respectively.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Unit: In Thousands of New Taiwan Dollars

	December 31, 2020		December 31, 2019	
	Loans that may be exempted from reporting as a non-performing loan	Receivables that may be exempted from reporting as overdue receivables	Loans that may be exempted from reporting as a non-performing loan	Receivables that may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan (Note 1)	27,028	176,882	33,832	174,190
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	676,199	64,292	677,733	66,125
Total	703,227	241,174	711,565	240,315

Note 1: In accordance with Jin Kuan Yin (1) Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure of credit information which was approved under the “debt coordination mechanism of unsecured consumer debts by the Bankers Association of the R.O.C.”

Note 2: In accordance with Jin Kuan Yin (1) Zi No. 09700318940, dated September 15, 2008, and with Jin Kuan Yin No. 10500134790, dated September 20, 2016, a bank is required to make supplemental disclosure of credit information once debtors apply for pre negotiation, pre-meditation relief and liquidation under the “Consumer Debt Clearance Act.”

Note 10: Those loans that are not 100% backed by collateral are classified as unsecured.

ii) Concentration of the Bank’s credit extensions

Unit: In Thousands of New Taiwan Dollars, %

December 31, 2020			
Ranking	Enterprise group by industry sector	Credit amount	Credit amount/ stockholders’ equity (%)
1	A group. Panel and components manufacturing	11,786,801	3.77 %
2	B group. Spinning of yarn, man-made fibers	11,366,596	3.64 %
3	C group. Iron and steel smelting	10,085,172	3.23 %
4	D group. Panel and components manufacturing	9,457,103	3.03 %
5	E group. Cable telecommunications	9,265,906	2.97 %
6	F group. Printed circuit boards manufacturing	7,049,331	2.26 %
7	G group. Electricity supply	7,037,820	2.25 %
8	H group. Wires and cables manufacturing	5,796,127	1.86 %
9	I group. Other unclassified financial service	5,699,350	1.82 %
10	J group. Other telecommunications	5,684,364	1.82 %

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2019			
Ranking	Enterprise group by industry sector	Credit amount	Credit amount/ stockholders' equity (%)
1	B group. Cement manufacturing	17,228,644	5.57 %
2	E group. Cable telecommunications	10,509,097	3.40 %
3	A group. Panel and components manufacturing	10,282,020	3.32 %
4	C group. Iron and steel smelting	9,686,775	3.13 %
5	K group. Other unclassified financial service	8,495,786	2.75 %
6	L group. Other unclassified financial service	8,320,438	2.69 %
7	D group. Panel and components manufacturing	6,752,734	2.18 %
8	M group. Cement manufacturing	6,507,279	2.10 %
9	N group. Motor vehicle parts manufacturing	6,319,375	2.04 %
10	O group. Metal Die Manufacturing	6,000,000	1.94 %

Note 1: The top 10 enterprise groups other than government or state-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2: Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: The total outstanding credit amount is the sum of the balances of all loan types (including import and export bill negotiations, loans, overdrafts, short/medium/long term secured and unsecured loans, margin loans receivable, and non-accrual loans), bills purchased, without recourse factoring, acceptances receivable, and guarantees receivable.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Liquidity Risk Management Mechanism

a) Definition and sources of liquidity risk

Liquidity risk of the Bank and subsidiaries refer to the risk of inability to obtain funds at a reasonable cost within a reasonable timeframe to meet financial obligations, and thus impact the Bank and subsidiaries' profits or economic value.

Liquidity risk may stem from external and internal factors, such as undermined payment capability caused by financial market volatility, early withdraws and concerns of creditors or depositors over the Bank's ability to meet payment obligations due to credit, market or operational risk.

b) Objectives of liquidity risk management

There is cost associated with the level of liquidity. Liquidity risk management for the Bank and subsidiaries aims to satisfy funding needs and maximize profits by allocating assets and liabilities in the most cost-effective way within the approved risk tolerance.

c) Management procedures and risk measurement of liquidity risk

Based on the "Asset and Liability Management Policy", the Bank and subsidiaries set robust management procedures and risk measurement to identify, measure, monitor, and report the liquidity risk. By periodically monitoring the liquidity limit approved, continuously conducting the development and application of quantitative risk assessment tools, and studying liquidity related issues, the liquidity risk is properly managed. The Bank and subsidiaries set various limits for managing liquidity risk, including the mismatch of cash inflow and outflow and funding concentration to assure the Bank and subsidiaries maintain adequate liquidity.

Funding Management Unit is entrusted the responsibility to centrally manage the liquidity risk of the Bank and subsidiaries, and to act as sole window to engage in funding activities. The risk management unit will monitor the liquidity risk independently. The main responsibilities of funding management unit are as follows:

- i) Keep abreast of market condition, and monitor the Bank's liquidity to ensure the capacity to meet the intraday payment obligation.
- ii) Adjust funding gap and liquidity to conform exposure within the Bank's risk appetite and regulatory requirements, and support customers' funding needs by use of different funding instruments with different amount and maturity.
- iii) Diversify funding instruments and counterparties in order to reduce the concentration.
- iv) Activate Contingency Funding Plan (CFP) and adjust positions when a liquidity crisis is detected.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The liquidity risk monitoring unit is responsible to identify the cause of liquidity risk, develop and enhance the measurement of risk, periodically conduct the risk reports, activate the Contingency Funding Plan when liquidity crisis is detected, and monitor the effectiveness of action plan.

The scope and characteristics of risk measurements and reporting system are as follows:

- i) Establish the thorough liquidity risk measurement for measuring liquidity risks. The common methods are as follows:
 - 1. Maximum Cumulative Outflow (MCO): Analyzing maturity mismatch to capture each time bucket cash flow changes, which serves as an early warning of liquidity risk.
 - 2. Liquidity risk heat map: Liquidity risk indicators can be further developed into an easily understandable map to facilitate systematic monitoring and to effectively highlight changes, causes and impact.
 - ii) The liquidity risk monitoring unit periodically conducts the risk reports, which contain the analysis of limit usage and liquidity risk indicators. The risk report with supporting stress test result will periodically be submitted to related risk management meetings. For important liquidity risk issues, depending on the impact, they will be reported to the Bank or the Holding Bank's management level to discuss the action plan.
- d) Risk mitigation and hedge of liquidity risk

Through liquidity risk management framework, the Bank and subsidiaries maintain sufficient liquidity status and robust funding structure. By using rigorous liquidity risk measurement and monitoring, the Bank and subsidiaries can observe potential issues on liquidity risk and report them to risk meeting. Therefore, the responsible units can adjust their strategies based on the decision to avoid liquidity risk. Once the risk limit is exceeded, risk management unit will analyze the cause and the primary business unit which caused the change of the risks, then the unit should report the action plans and follow-ups to corresponding authority for approval. The related unit should keep tracking improved performance and adjust the strategy timely to ensure that the risk could be decreased effectively.

In addition, the Bank and subsidiaries have a Liquidity Contingency Plan as guidance to all units when a liquidity crisis emerges. It aims to resolve the crisis in an effective manner by pulling together all resources available to the Bank and subsidiaries.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

e) Maturity analysis of non-derivatives liabilities

Table below shows the analysis of cash outflows of non-derivatives liabilities based on time remaining until the contractual maturity date. The amount disclosed is based on contractual cash flows and may be different from that included in the consolidated balance sheets.

	December 31, 2020					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Deposits from Central Bank and other banks	\$ 35,774,383	16,165,098	2,001,373	2,053,092	-	55,993,946
Due to Central Bank and other banks	28,646	2,899,234	824,776	1,311,998	159,274	5,223,928
Non-derivative financial liabilities measured at fair value through profit or loss	7,352,987	-	-	-	7,122,287	14,475,274
Securities sold under repurchase agreements	71,317,196	9,102,347	-	-	-	80,419,543
Payables	25,237,157	11,555,849	9,266,182	13,693,003	45,914,750	105,666,941
Current income tax liabilities	-	-	3,063,209	-	-	3,063,209
Deposits and remittances	2,384,116,607	398,132,176	330,875,131	470,451,012	167,363,112	3,750,938,038
Financial debentures	-	-	-	4,000,000	55,000,000	59,000,000
Other financial liabilities	7,462,974	8,773,374	11,014,509	15,297,857	8,070,904	50,619,618
	December 31, 2019					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Deposits from Central Bank and other banks	\$ 31,512,596	17,753,869	2,547,021	1,386,812	-	53,200,298
Due to Central Bank and other banks	11,079,694	-	-	-	1,761,951	12,841,645
Non-derivative financial liabilities measured at fair value through profit or loss	-	-	-	-	41,068,313	41,068,313
Securities sold under repurchase agreements	91,833,622	708,725	-	-	-	92,542,347
Payables	22,617,376	11,525,190	9,353,222	13,422,756	132,968,156	189,886,700
Current income tax liabilities	-	-	3,038,409	-	-	3,038,409
Deposits and remittances	2,080,032,498	399,296,267	340,007,804	409,428,233	153,053,651	3,381,818,453
Financial debentures	-	-	1,000,000	-	58,000,000	59,000,000
Other financial liabilities	16,166,880	9,072,435	16,971,302	21,063,322	23,199,365	86,473,304

Note: For demand deposits included in “Deposits and remittances”, the amount will be disclosed in the earliest period since such deposits can be withdrawn at anytime.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

f) Maturity analysis of derivatives liabilities

i) Net settled derivatives

Net settled derivatives engaged by the Bank and subsidiaries include but not limited to:

Foreign exchange derivatives: non-deliverable forwards and net settled FX options;

Interest rate derivatives: forward rate agreement, interest rate swaps, and interest rate futures;

Other derivatives: equity options and commodity futures.

For derivatives held by trading purpose, the amount will be disclosed in the earliest period with fair value to reflect the nature of short-term trading behavior; for hedging derivatives, the amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheets. The maturity analysis of net settled derivatives liabilities is as follows:

	December 31, 2020					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivatives	\$ 2,364,689	-	-	-	-	2,364,689
– Interest rate derivatives	10,649,492	-	-	-	-	10,649,492
– Other derivatives	213,628	-	-	-	-	213,628
Derivative financial liabilities—hedging						
– Foreign exchange derivatives	427,567	570,089	-	-	-	997,656
Total	\$ 13,655,376	570,089	-	-	-	14,225,465
	December 31, 2019					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivatives	\$ 2,312,197	-	-	-	-	2,312,197
– Interest rate derivatives	19,794,475	-	-	-	-	19,794,475
– Other derivatives	74,770	-	-	-	-	74,770
Derivative financial liabilities—hedging						
– Foreign exchange derivatives	451,603	602,137	-	-	-	1,053,740
Total	\$ 22,633,045	602,137	-	-	-	23,235,182

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ii) Gross settled derivatives

Gross settled derivatives engaged by the Bank and subsidiaries include:

Foreign exchange derivatives: forwards, currency swaps, cross currency swaps, and gross settled currency options. For forwards, currency swaps, and cross currency swaps, the amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet; for gross settled currency options, the amount will be disclosed in the earliest period with fair value, as currency options are for trading purpose and can be disposed anytime. The maturity analysis of gross settled derivatives liabilities is as follows:

	December 31, 2020					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivatives						
– Cash outflow	\$ 960,393,370	671,286,258	549,880,967	510,981,369	45,726,503	2,738,268,467
– Cash inflow	957,525,363	671,072,744	550,826,272	510,702,997	45,436,206	2,735,563,582
Derivative financial liabilities – hedging						
– Foreign exchange derivatives						
– Cash outflow	33,150,039	-	-	-	-	33,150,039
– Cash inflow	32,938,751	-	-	-	-	32,938,751
Cash outflow subtotal	<u>993,543,409</u>	<u>671,286,258</u>	<u>549,880,967</u>	<u>510,981,369</u>	<u>45,726,503</u>	<u>2,771,418,506</u>
Cash inflow subtotal	<u>990,464,114</u>	<u>671,072,744</u>	<u>550,826,272</u>	<u>510,702,997</u>	<u>45,436,206</u>	<u>2,768,502,333</u>
Net cash flow	<u>\$ (3,079,295)</u>	<u>(213,514)</u>	<u>945,305</u>	<u>(278,372)</u>	<u>(290,297)</u>	<u>(2,916,173)</u>
	December 31, 2019					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivatives						
– Cash outflow	\$ 1,611,368,579	993,866,460	535,639,224	582,612,304	26,424,493	3,749,911,060
– Cash inflow	1,608,902,263	993,518,401	535,804,096	583,486,885	26,108,354	3,747,819,999
Derivative financial liabilities – hedging						
– Foreign exchange derivatives						
– Cash outflow	34,186,814	-	-	-	-	34,186,814
– Cash inflow	34,442,755	-	-	-	-	34,442,755
Cash outflow subtotal	<u>1,645,555,393</u>	<u>993,866,460</u>	<u>535,639,224</u>	<u>582,612,304</u>	<u>26,424,493</u>	<u>3,784,097,874</u>
Cash inflow subtotal	<u>1,643,345,018</u>	<u>993,518,401</u>	<u>535,804,096</u>	<u>583,486,885</u>	<u>26,108,354</u>	<u>3,782,262,754</u>
Net cash flow	<u>\$ (2,210,375)</u>	<u>(348,059)</u>	<u>164,872</u>	<u>874,581</u>	<u>(316,139)</u>	<u>(1,835,120)</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

g) Maturity analysis of off-balance-sheet items

Table below shows the maturity analysis of off-balance-sheet items for the Bank and subsidiaries. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised at anytime by clients. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheets.

	December 31, 2020					Total
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	
Financial guarantee contracts	\$ 81,386,781	-	-	-	-	81,386,781
Unused amount of irrevocable loan commitments	88,997,671	-	-	-	-	88,997,671
Unused amount of irrevocable letter of credit	20,759,866	-	-	-	-	20,759,866
Unused amount of irrevocable credit card commitments	556,172,464	-	-	-	-	556,172,464
Total	\$ 747,316,782	-	-	-	-	747,316,782

	December 31, 2019					Total
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	
Financial guarantee contracts	\$ 71,641,804	-	-	-	-	71,641,804
Unused amount of irrevocable loan commitments	117,736,406	-	-	-	-	117,736,406
Unused amount of irrevocable letter of credit	20,934,077	-	-	-	-	20,934,077
Unused amount of irrevocable credit card commitments	540,877,844	-	-	-	-	540,877,844
Total	\$ 751,190,131	-	-	-	-	751,190,131

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

h) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

i) Maturity analysis of the Bank's assets and liabilities for New Taiwan Dollars

December 31, 2020

Unit: In Millions of New Taiwan Dollars

	Total	Amount remaining to maturity date					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major cash inflow at maturity	\$ 2,896,344	391,967	324,672	168,131	240,464	266,330	1,504,780
Major cash outflow at maturity	3,377,399	148,079	260,173	389,235	415,751	753,021	1,411,140
Gap	(481,055)	243,888	64,499	(221,104)	(175,287)	(486,691)	93,640

December 31, 2019

Unit: In Millions of New Taiwan Dollars

	Total	Amount remaining to maturity date					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major cash inflow at maturity	\$ 2,630,774	317,532	227,847	274,879	239,253	219,148	1,352,115
Major cash outflow at maturity	3,077,277	139,283	224,317	414,561	427,227	674,143	1,197,746
Gap	(446,503)	178,249	3,530	(139,682)	(187,974)	(454,995)	154,369

Note: The above tables refer to the Bank's overall position denominated in NTD.

ii) Maturity analysis of the Bank's assets and liabilities for U.S. Dollars

December 31, 2020

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major cash inflow at maturity	\$ 81,382,875	30,884,826	16,060,672	10,829,878	9,889,628	13,717,871
Major cash outflow at maturity	115,756,006	30,063,001	16,769,459	16,630,500	18,799,403	33,493,643
Gap	(34,373,131)	821,825	(708,787)	(5,800,622)	(8,909,775)	(19,775,772)

December 31, 2019

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major cash inflow at maturity	\$ 93,325,392	37,321,693	20,940,257	10,564,467	11,655,730	12,843,245
Major cash outflow at maturity	102,123,329	40,865,712	23,094,385	13,875,303	13,680,829	10,607,100
Gap	(8,797,937)	(3,544,019)	(2,154,128)	(3,310,836)	(2,025,099)	2,236,145

Note: The above tables refer to the Bank's overall position denominated in USD.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii) Maturity analysis of the Bank's overseas branches' assets and liabilities for U.S. Dollars

December 31, 2020

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major cash inflow at maturity	\$ 41,070,122	14,134,441	9,787,614	6,746,157	5,433,106	4,968,804
Major cash outflow at maturity	49,942,617	14,714,038	9,686,722	8,692,952	8,609,537	8,239,368
Gap	(8,872,495)	(579,597)	100,892	(1,946,795)	(3,176,431)	(3,270,564)

December 31, 2019

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major cash inflow at maturity	\$ 56,742,149	25,031,165	12,113,157	6,432,878	8,377,526	4,787,423
Major cash outflow at maturity	61,168,914	28,410,941	13,233,179	7,870,368	8,756,305	2,898,121
Gap	(4,426,765)	(3,379,776)	(1,120,022)	(1,437,490)	(378,779)	1,889,302

(iv) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank and subsidiaries conduct during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Bank and subsidiaries' obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liabilities, the said transferred assets are not fully derecognized.

Types of financial assets	December 31, 2020				
	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities	Fair value of transferred financial assets	Fair value of associated financial liabilities	Net fair value
Financial assets measured at fair value through profit or loss					
Repurchase agreement	\$ 10,175,088	10,439,539	10,175,088	10,439,539	(264,451)
Financial assets measured at fair value through other comprehensive income					
Repurchase agreement	10,290,314	10,597,669	10,290,314	10,597,669	(307,355)
Securities lending segment	1,329,831	1,277,114	1,329,831	1,277,114	52,717
Investment in debt instruments at amortized cost					
Repurchase agreement	64,913,193	59,382,335	68,727,584	59,382,335	9,345,249

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2019					
Types of financial assets	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities	Fair value of transferred financial assets	Fair value of associated financial liabilities	Net fair value
Financial assets measured at fair value through profit or loss					
Repurchase agreement	\$ 15,990,470	15,857,463	15,990,470	15,857,463	133,007
Financial assets measured at fair value through other comprehensive income					
Repurchase agreement	52,550,355	50,078,737	52,550,355	50,078,737	2,471,618
Securities lending segment	11,917,942	11,794,013	11,917,942	11,794,013	123,929
Investment in debt instruments at amortized cost					
Repurchase agreement	25,521,147	26,606,147	26,943,522	26,606,147	337,375

(v) Offsetting financial assets and financial liabilities

The Bank and subsidiaries have an exercisable master netting arrangement or similar agreement in place with counterparties. When both parties reach a consensus regarding net settlement, the aforesaid exercisable master netting arrangement or similar agreement can be net settled by offsetting financial assets and financial liabilities. If not, the transaction can be settled at the total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforementioned offsetting financial assets and financial liabilities.

December 31, 2020						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ 61,122,816	-	61,122,816	43,018,176	5,802,207	12,302,433

December 31, 2020						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial liabilities	\$ 63,253,502	-	63,253,502	42,715,522	7,140,711	13,397,269
Securities lending segment	1,277,114	-	1,277,114	1,277,114	-	-
Total	\$ 64,530,616	-	64,530,616	43,992,636	7,140,711	13,397,269

December 31, 2019						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ 60,554,724	-	60,554,724	31,894,870	7,916,015	20,743,839

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2019

	Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement					
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		
				Financial instruments (Note)	Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	\$ 72,871,588	-	72,871,588	31,817,540	8,771,530	32,282,518
Securities lending segment	11,794,013	-	11,794,013	11,794,013	-	-
Total	\$ 84,665,601	-	84,665,601	43,611,553	8,771,530	32,282,518

Note: Master netting arrangements and non-cash financial collaterals are included.

(vi) Capital management

1) Capital management goal and procedure

The goal of the Bank's capital management is to meet the regulatory requirement on capital adequacy and the organization's target of maximizing returns for shareholders by implementing the capital management procedures and improving the efficiency of capital utilization.

Both short-term and long-term capital demands shall be considered in capital planning. The annual capital plan shall be drawn with reference to the business plan, the internal planning referenced indicators of each capital ratio, current and future estimated capital demands, and committed returns for shareholders of the Bank. A backup plan shall also be established to fulfill unplanned capital demands. The Bank also regularly conducts stress tests and scenario simulation analyses to calculate capital ratios, fully taking into account external conditions and other factors, including potential risks, changes in financial markets, and other events impacting risk taking capabilities, to make sure that the Bank can maintain adequate capital in case of detrimental events and huge market changes.

Planning for yearly earnings distribution follows the principles and a ratio mandated by the articles of incorporation and dividend policy, and is put into effect after being approved by the board of directors on behalf of the shareholders'. Capital adequacy, potential investment needs, and dividend amount of previous years are taken into account. The needs to maintain proper financial ratios and satisfy fund requirement of the parent company are also preconditions of the distribution.

2) Definition and regulation

The regulator of the Bank is the FSC of the Republic of China, and the Bank follows the "Regulations Governing the Capital Adequacy and Capital Category of Banks" issued by the FSC.

According to the regulations aforementioned, the ratio of regulatory capital to risk-weighted assets (hereinafter referred to as the "capital ratios") shall mean common equity tier 1 ratio, Tier 1 capital ratio, and total capital adequacy ratio. Besides calculating these stand-alone capital ratios of the Bank, it should also calculate capital ratios by consolidating its investments in subsidiaries in financial statements prepared in accordance with IFRS 10, and the stand-alone and consolidated capital ratios should follow Section 5 of Paragraph 1 of Article 2 of the "Regulations Governing the Capital Adequacy and Capital Category of Banks."

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Regulatory capital

The Bank's regulatory capital is divided into net Tier 1 Capital and net Tier 2 Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks":

- a) Net Tier 1 Capital: The aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.
 - Net common equity Tier 1 Capital: Primarily consists of the aggregate amount of Common stock and its additional paid in capital, Capital collected in advance, Capital surplus, Legal reserve, Special reserve, accumulated profit or loss, Non-controlling interests, and Other equity interest items, minus intangible assets, deferred income tax assets due to losses from the previous year, the insufficiency of operational reserves and loan loss provisions, the revaluation surplus of real estate, and statutory adjustment items calculated in accordance with "the Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets."
 - Net additional Tier 1 Capital: Consists of the aggregate amount of non-cumulative perpetual preferred stock and its additional paid in capital, non-cumulative perpetual subordinated debts, additional Tier 1 Capital issued by the Bank's subsidiaries and not directly or indirectly held by the Bank, minus statutory adjustment items calculated in accordance with "the Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets."
- b) Net Tier 2 Capital: Consists of the aggregate amount of cumulative perpetual preferred stock and its additional paid in capital, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, non-perpetual preferred stock and its additional paid in capital, the increase in retained earnings when fair value or re-estimated value is adopted as deemed cost for the first-time adoption of IFRSs on premises, 45% of unrealized gains on changes in the fair value of investment properties using fair value method, as well as the 45% of unrealized gains on financial assets measured at fair value through other comprehensive income, operational reserves and loan-loss provisions, and Tier 2 Capital issued by the Bank's subsidiaries and not directly or indirectly held by the Bank, minus statutory adjustment items calculated in accordance with "the Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets."

The Bank issues different capital instruments via versatile venues to maintain a sound capital structure. The Bank does not provide holders of such capital instruments with relevant financing. Subsidiaries of the financial holding company, to which the Bank belongs, do not own such capital instruments.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The regulator examines a Bank's capital category in accordance with capital ratios and net worth to total assets. When the Bank's capital is graded as inadequate capital, significantly inadequate capital or seriously inadequate capital by the regulator, the regulator shall take prompt corrective actions pursuant to Sections 1 to 3, Paragraph 1, Article 44 2 of the Banking Act.

The aforementioned regulations governing categories issued by the regulator follows the new BASEL capital agreement issued by Bank for International Settlements. A brief description of three pillars of the agreement and the Bank's compliance with them is as below:

i) Pillar 1

Pillar 1 covers the capital requirement for credit risk, market risk, and operational risk.

1. Credit risk measures bank's risk of financial loss resulting from borrowers, guarantors or counterparties' failure to repay or meet contractual obligations. The scope of credit risk includes the default risk arises from on and off-balance sheet assets as well as counterparty credit risk. The capital requirement calculation includes standardized approach and internal ratings based (IRB) approach, while the Bank adopts standardized approach for regulatory capital.
2. Market risk is the risk that the Bank's earnings, capital, or its ability to meet business objectives will be adversely affected by changes in the level, volatility, correlation, or liquidity of market risk factors, such as interest rate (including credit spread), foreign exchange, equity and commodity. Market risk capital methods include standardized approach and internal model approach. The Bank adopts standardized approach in the calculation of required capital.
3. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk but excluding strategic and reputational risk. Methods used to measure required operational risks capital charges are Basic Indicator Approach (BIA), Standardized Approach (SA), Alternative Standardized Approach (ASA), and Advanced Measurement Approach (AMA). The Bank adopts Standardized Approach that divides business activities into 8 business lines and multiplies each line's gross income with its Beta Factor to obtain the capital charge.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Pillar 2

Pillar 2 ensures that each bank has a sound internal assessment process and is able to forecast its capital adequacy based on the thorough assessment of bank risks, and that, with proper regular monitoring, regulatory capital matches the overall risk characters.

For compliance with regulatory monitoring of capital adequacy, the Bank conducts regular filing of capital adequacy self-assessment and various risks management every year in accordance with regulatory mandate.

iii) Pillar 3

Pillar 3 involves Market Discipline and requires banks to disclose detailed information on risk, capital, and risk management for the improvement of banking information transparency. To comply with pillar 3 – Market Discipline, the Bank has disclosed “Capital Adequacy and Risk Management Report” on its website for the disclosure of qualitative and quantitative information.

4) Capital adequacy ratios of the Bank and subsidiaries

Analyzed items		Period		
		December 31, 2020	December 31, 2019	
Regulatory capital	Common equity	284,439,797	282,162,719	
	Other tier 1 capital	27,121,126	26,545,476	
	Tier 2 capital	36,071,312	36,024,290	
	Regulatory capital	347,632,235	344,732,485	
Amount of Risk weighted assets	Credit risk	Standardized approach (SA)	2,016,406,133	2,117,275,473
		Internal ratings based (IRB) approach	-	-
		Assets securitization	60,939,643	57,760,952
	Operational risk	Basic indicator approach (BIA)	-	-
		Standardized approach (SA)/Alternative Standardized approaches (ASA)	167,989,429	159,477,592
		Advanced measurement approaches (AMA)	-	-
	Market risk	Standardized approach (SA)	133,956,807	156,011,298
		Internal model approach	-	-
	Total amount of risk weighted assets		2,379,292,012	2,490,525,315
	Capital adequacy ratio		14.61 %	13.84 %
Ratio of common equity to risk weighted assets (%)		11.95 %	11.33 %	
Ratio of tier 1 capital to risk weighted assets (%)		13.09 %	12.40 %	
Leverage ratio		6.60 %	6.96 %	

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ap) Structured entities that are not included in consolidated financial reports

- (i) The table below presents the types of structured entities that the Bank and subsidiaries do not include in consolidated financial reports but in which they hold an interest.

<u>The types of structured entities</u>	<u>Nature and purpose</u>	<u>Interests held by the Bank and subsidiaries</u>
Asset-backed securities	Securitizing financial or non-financial assets and issuing them to raise funds.	Investing or lending in securities issued by these entities.
Private fund	Raising funds to create investment opportunities in a variety of assets.	Investing in funds issued by these entities.

- (ii) The scales of structured entities not included in consolidated financial reports were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Asset-backed securities	\$184,428,851,636	173,449,075,281
Private fund	29,264,174	25,045,196

- (iii) The carrying amounts of interests held by the Bank and subsidiaries in these structured entities were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Assets held by the Bank and subsidiaries		
Financial assets measured at fair value through profit or loss	\$ 597,935	614,645
Financial assets measured at fair value through other comprehensive income	63,943,022	50,807,445
Investment in debt instruments at amortized cost	47,995,225	50,857,797
Investment under equity method	117,168	215,173
Total assets held by the Bank and subsidiaries	<u>\$ 112,653,350</u>	<u>102,495,060</u>

The maximum amount of risk exposure the Bank and subsidiaries endure to a loss incurred from special purpose entities that are not included in consolidated financial reports is the carrying amount of interests held by the Bank and subsidiaries.

- (iv) As of December 31, 2020 and 2019, the Bank and subsidiaries have not provided any financial support to their special purpose entities that are not included in consolidated financial reports.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions:

(a) Names of related parties and relationship with the Bank

<u>Name of related party</u>	<u>Relationship with the Bank</u>
CTBC Financial Holding Co., Ltd.	Parent company of the Bank.
Grand Bills Finance Corporation	Investee company under equity method.
LH Financial Group Public Company Limited	//
Xiamen Jinmeixin Consumer Finance Co., Ltd.	//
LH Bank Public Company Limited	Investee company under equity method by LH Financial Group Public Company Limited.
Taiwan Institute of Economic Research	The Bank contributed over 1/3 of its total funds.
CTBC Charity Foundation	//
CTBC Culture Foundation	//
CTBC Business School	The company which is controlled by the same company as the Bank contributed over 1/3 of its total funds.
CTBC Anti-drug Educational Foundation	//
Showa Denko HD Trace Corp. (Note)	The Chairman of the Bank is its Director.
Financial Information Service Co., Ltd.	//
Deutsche Bank Taipei Branch (Note)	The company's General Manager is the second-degree relative of the Director of the Bank.
CTBC Securities Co., Ltd.	Controlled by the same company as the Bank.
CTBC Asia Limited	//
CTBC Securities Venture Capital Co., Ltd.	//
CTBC Venture Capital Co., Ltd.	//
CTBC Asset Management Co., Ltd.	//
CTBC Security Co., Ltd.	//
Taiwan Lottery Co., Ltd.	//
CTBC Investments Co., Ltd.	//
Taiwan Life Insurance Co., Ltd.	//
CTBC Finance Co., Ltd. (used name: TLG Capital Co., Ltd.)	//
CTBC Insurance Co., Ltd. (used name: TLG Insurance Co., Ltd.)	//
Wu Tzu Development Co., Ltd.	Investee company under equity method of the company which is controlled by the same company as the Bank.
HoFa Land Development Co., Ltd.	//
Taiwan Wind Investment Co., Ltd.	//

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Bank</u>
CTBC Investment Trust Funds	Securities investment trust funds managed by the company which is controlled by the same company as the Bank.
Chung Yuan Investment Co., Ltd.	The Director of the parent company.
Yi Chuan Investment Co., Ltd.	//
Ho-Wei Investment Co., Ltd.	The Chairman of the parent company of the Bank is its Director.
Weihong Investment Co., Ltd.	//
Fenglu Development & Investment Co., Ltd.	//
Chuan Wei Investment Co., Ltd.	The company's Chairman is the second-degree relative of the Chairman of the Bank's parent company.
Taipei Kai-Nan High School	The Chairman of the parent company of the Bank is its body corporate representative.
Pei Sheng Culture Foundation	The Director of the company which is controlled by the same company as the Bank is its body corporate representative.
CTBC Financial Park Management authority (Note)	//
CTBC Administration Building Management authority (Note)	//
CTBC Technology Building Management authority (Note)	//
Taipei Financial Center Corporation	The Chairman of the company which is controlled by the same company as the Bank is its Director.
Nan Ya Plastics Corporation	//
Brother Recreational Co., Ltd.	//
Hon Hai Precision Industry Co., Ltd. (Note)	The Chairman of the Bank's subsidiary is its Director.
Sundia Meditech Group (Note)	The company's Chairman is the second-degree relative of the Director of the Bank's subsidiary.
Taiwan Relo Club, Ltd.	The Chairman of the company which is controlled by the same company as the Bank is its Chairman.
Sungbo Co., Ltd.	The Director of the company which is controlled by the same company as the Bank is its Chairman.
Yan Yuan Investment Co., Ltd.	The company's General Manager is the Director of the company which is controlled by the same company as the Bank.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Bank</u>
Chailease Finance Co., Ltd.	Related party in substance.
Shin Wen Investment Co., Ltd.	//
Fina Finance & Trading Co., Ltd.	//
Sung Young Investment Co., Ltd.	//
Chung Kwan Investment Co., Ltd.	//
Kuan Ho Construction and Development Co., Ltd.	//
Taiwan Sports Lottery Co., Ltd.	//
CTC Group Inc.	//
APEX Credit Solutions Inc. (Note)	//
Chinese Taipei Baseball Association	//
Yi Hua Investment Co., Ltd.	//
Yi Kao Investment Co., Ltd.	//
Chinatrust Real Estate Co., Ltd.	//
Harvest Investment Co., Ltd.	//
Kae Lee Investment Co., Ltd.	//
Ronghua Investment Co., Ltd.	//
Chung-Chie Property Management Co., Ltd.	//
Chailease Auto Rental Co., Ltd.	//
Chung Cheng Investments Co., Ltd.	//
My Leasing (Mauritius) Corp.	//
Other related parties	Major executives of CTBC Financial Holding Co., Ltd. and subsidiaries, and their close relatives.

Note: The party is not related parties in the financial statement for the year ended December 31, 2020.

(b) Significant transactions between related parties and the Bank

(i) Lease

1) As a lessor

For the years ended December 31, 2020 and 2019, the rental revenue that the Bank received from related parties for the rental of buildings, parking spaces, and safe deposit boxes amounted to \$354,594 and \$280,583, respectively, constituting 59.85% and 52.45%, respectively, of total rental income.

As of December 31, 2020 and 2019, deposits for renting safe boxes to related parties amounted to \$130 and \$167, the rents received in advance from related parties amounted to \$16,571 and \$951, respectively. The guarantee deposit for the use of space and machinery received from related parties amounted to \$87,819 and \$70,337, respectively.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) As a lessee

<u>Name of related party</u>	<u>Summary</u>	<u>Lease liabilities</u>	
		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Taiwan Life Insurance Co., Ltd.	Leased office	\$ 105,002	72,352
Chailease Finance Co., Ltd.	Leased official cars	-	92
CTBC Finance Co., Ltd.	"	3,322	11,407
Chailease Auto Rental Co., Ltd.	"	8,240	4,004
		<u>\$ 116,564</u>	<u>87,855</u>

<u>Name of related party</u>	<u>Summary</u>	<u>Lease payment amount</u>	
		<u>For the years ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Taiwan Life Insurance Co., Ltd.	Leased office	\$ 11,855	11,802
CTBC Securities Co., Ltd.	"	43,423	26,304
Chailease Finance Co., Ltd.	Leased official cars	92	1,679
CTBC Finance Co., Ltd.	"	9,043	10,525
Chailease Auto Rental Co., Ltd.	"	4,218	2,687
		<u>\$ 68,631</u>	<u>52,997</u>

The lease term and the collection of the rental are conducted with the contracts. Lease payment amount includes payment amount which does not recognize lease liabilities due to the application of IFRS 16 exemptions.

(ii) Donations

<u>Related party</u>	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
CTBC Culture Foundation	\$ 31,000	44,000
CTBC Charity Foundation	50,000	54,000
CTBC Anti-Drug Educational Foundation	26,900	47,000
CTBC Business School	112,259	47,104
Total	<u>\$ 220,159</u>	<u>192,104</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Loans

December 31, 2020							
Categories	Number/name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan-employee	11	\$ 5,195	2,650	2,650	-	None	Note
Home loan mortgage	319	2,077,294	1,860,010	1,860,010	-	Real estate/ others	"
Others	Nan Ya Plastics Corporation	2,787,830	2,401,828	2,401,828	-	Real estate/ machine room	"
"	Chung Kwan Investment Co., Ltd.	350,000	350,000	350,000	-	Real estate	"
"	CTC Group Inc.	349,410	342,531	342,531	-	Real estate	"
"	Kuan Ho Construction and Development Co., Ltd.	245,000	245,000	245,000	-	Real estate	"
"	Others	210,903	204,545	204,545	-	Real estate/small and medium enterprise credit guarantee fund	"

December 31, 2019							
Categories	Number/name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan-employee	43	\$ 20,096	9,679	9,679	-	None	Note
Home loan mortgage	578	2,949,732	2,626,696	2,626,696	-	Real estate/ others	"
Others	Hon Hai Precision Industry Co., Ltd.	10,903,680	3,000,000	3,000,000	-	None	"
"	Nan Ya Plastics Corporation	2,808,570	1,550,792	1,550,792	-	Real estate/ machine room	"
"	CTC Group Inc.	378,682	368,996	368,996	-	Real estate	"
"	Chung Kwan Investment Co., Ltd.	350,000	350,000	350,000	-	Real estate	"
"	Kuan Ho Construction and Development Co., Ltd.	245,000	245,000	245,000	-	Real estate	"
"	Others	333,943	157,418	157,418	-	Real estate/ bill for collection/ securities/ time deposit	"

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Deposits

Related party	December 31, 2020			
	Maximum balance	Ending balance	Range of interest rates	Interest expenses (from January to December)
Taiwan Life Insurance Co., Ltd.	\$ 54,038,870	21,448,561	0~0.50%	10,388
CTBC Securities Co., Ltd.	7,017,813	2,579,228	0~1.60%	9,603
HoFa Land Development Co., Ltd.	1,512,571	1,494,093	0~0.44%	2,808
Taiwan Sports Lottery Co., Ltd.	1,491,327	1,489,899	0~0.01%	88
CTBC Venture Capital Co., Ltd.	1,564,015	1,483,156	0~0.15%	50
CTBC Charity Foundation	1,217,253	1,185,251	0~1.07%	4,888
Financial Information Service Co., Ltd.	1,012,285	1,006,551	0.01~1.07%	8,517
Yan Yuan Investment Co., Ltd.	2,580,308	916,984	0~0.06%	310
Chuan Wei Investment Co., Ltd.	1,005,260	868,589	0~0.01%	87
Taiwan Lottery Co., Ltd.	1,296,671	767,882	0~0.12%	459
CTBC Investments Co., Ltd.	722,412	653,510	0~0.49%	1,577
Wu Tzu Development Co., Ltd.	659,834	652,220	0~1.00%	768
My Leasing (Mauritius) Corp.	2,934,737	638,937	0.03~0.20%	86
Taiwan Institute of Economic Research	605,702	600,210	0~1.09%	2,017
Taipei Kai-Nan High School	575,633	554,361	0~1.04%	1,371
Taiwan Wind Investment Co., Ltd.	3,463,691	533,788	0~0.15%	217
Shin Wen Investment Co., Ltd.	634,510	329,963	0~0.01%	22
Ronghua Investment Co., Ltd.	318,791	317,864	0~0.01%	14
Chinatrust Real Estate Co., Ltd.	297,820	295,032	0~2.15%	1,518
Chung Cheng Investments Co., Ltd.	289,499	287,681	0~0.01%	27
Chung Yuan Investment Co., Ltd.	330,885	241,597	0.01%	23
Sung Young Investment Co., Ltd.	669,879	230,560	0~0.01%	57
CTBC Asia Limited	436,122	201,703	0~3.20%	691
Sundia Meditech Group	1,933,349	200,688	0~0.03%	37
Weihong Investment Co., Ltd.	174,236	174,236	0.01%	9
Yi Hua Investment Co., Ltd.	510,167	169,201	0~0.01%	15
Brother Recreational Co., Ltd.X	210,479	166,796	0~0.01%	13
Pei Sheng Culture Foundation	183,294	143,202	0~0.05%	50
Ho-Wei Investment Co., Ltd.	130,784	125,330	0~0.01%	12
Kae Lee Investment Co., Ltd.	119,884	118,179	0~0.01%	12
CTBC Financial Holding Co., Ltd.	25,352,847	114,489	0~0.15%	162
CTBC Business School	178,105	111,872	0~1.09%	133
Others	25,184,010	7,874,937		32,183
Total	\$ 138,653,043	47,976,550		78,212

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Related party	December 31, 2019			
	Maximum balance	Ending balance	Range of interest rates	Interest expenses (from January to December)
Taiwan Life Insurance Co., Ltd.	\$ 52,036,506	20,604,185	0~0.50%	23,822
CTBC Securities Co., Ltd.	4,584,249	2,141,160	0~1.60%	13,067
Showa Denko HD Trace Corp.	2,320,812	1,692,990	0~2.98%	24,439
Yan Yuan Investment Co., Ltd.	1,853,257	1,347,286	0~0.06%	338
HoFa Land Development Co., Ltd.	9,901,076	1,340,210	0~0.50%	10,763
CTBC Charity Foundation.	1,190,399	1,044,433	0~1.07%	5,942
Financial Information Service Co., Ltd.	1,018,143	1,007,923	0.01~1.07%	10,427
Chuan Wei Investment Co., Ltd.	1,199,249	913,771	0~0.01%	68
Taiwan Sports Lottery Co., Ltd.	1,892,215	823,836	0~0.01%	101
Sung Young Investment Co., Ltd.	1,281,449	669,831	0~0.01%	112
Taiwan Lottery Co., Ltd.	747,275	643,664	0~0.12%	519
Shin Wen Investment Co., Ltd.	736,457	634,510	0~0.01%	37
Yi Hua Investment Co., Ltd.	510,220	510,167	0~0.01%	36
CTBC Investments Co., Ltd.	543,736	495,142	0~0.49%	1,635
Taiwan Institute of Economic Research	511,440	466,448	0~1.09%	2,243
Harvest Investment Co., Ltd.	392,336	367,456	0~0.01%	34
Taipei Kai-Nan High School	366,010	345,949	0~1.04%	2,054
CTBC Financial Holding Co., Ltd.	21,762,985	282,947	0~0.26%	140
Chinatrust Real Estate Co., Ltd.	254,003	250,417	0~2.15%	1,965
Chung Cheng Investments Co., Ltd.	230,189	227,916	0~0.01%	17
CTBC Venture Capital Co., Ltd.	454,859	196,739	0~0.26%	103
Wu Tzu Development Co., Ltd.	215,593	186,276	0~1.00%	760
Ronghua Investment Co., Ltd.	254,926	185,579	0.01%	17
CTBC Asia Limited	396,208	181,317	0~3.20%	2,985
Chung Yuan Investment Co., Ltd.	177,436	177,059	0.01%	14
Pei Sheng Culture Foundation	453,088	174,247	0~0.13%	92
Hon Hai Precision Industry Co., Ltd.	188,110	143,400	0~2.74%	1,239
CTBC Securities Venture Capital Co., Ltd.	298,647	135,756	0~1.07%	2,037
CTBC Business School	193,601	125,832	0~1.09%	159
Ho-Wei Investment Co., Ltd.	127,784	122,744	0~0.01%	12
Kae Lee Investment Co., Ltd.	121,724	119,884	0~0.01%	12
Brother Recreational Co., Ltd.	192,698	118,562	0~0.26%	10
Yi Kao Investment Co., Ltd.	247,906	114,457	0.01%	10
Fenglu Development & Investment Co., Ltd.	124,143	106,352	0~0.01%	9
Yi Chuan Investment Co., Ltd.	169,113	105,487	0~0.01%	10
Weihong Investment Co., Ltd.	103,913	102,480	0.01%	10
Others	33,971,010	7,624,781		48,567
Total	\$ 141,022,765	45,731,193		153,805

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Call loans to banks

		For the year ended December 31, 2020		
Related party	Ending balance	Range of interest rates	Interest revenues	
Grand Bills Finance Corporation	\$ -	0.20~0.53%	993	
		For the year ended December 31, 2019		
Related party	Ending balance	Range of interest rates	Interest revenues	
Grand Bills Finance Corporation	\$ -	0.38~0.65%	1,331	

(vi) Due from banks

Related party	December 31, 2020	December 31, 2019
LH Bank Public Company Limited	\$ -	587,067

(vii) Financial derivatives

							December 31, 2020	
Related party	Derivative financial instruments	Contract period	Notional principal	Valuation gains (losses)	Balance sheet		Ending Balance	
					Account			
CTBC Investments Trust Funds	Foreign exchange swap	12.02.2019~08.16.2021	USD	136,590	\$ (315,705)	(Note 2)	(315,705)	
							December 31, 2019	
Related party	Derivative financial instruments	Contract period	Notional principal	Valuation gains (losses)	Balance sheet		Ending Balance	
					Account			
Deutsche Bank Taipei Branch	Interest rate swap	11.10.2010~06.29.2029	NTD	18,003,676	\$ (30,666)	(Note 2)	(30,666)	
"	Cross currency swap	02.01.2019~02.14.2022	NTD	1,685,820	9,475	(Note 1)	9,475	
"	Foreign exchange swap	03.25.2019~06.30.2020	NTD	10,837,340	(170,180)	(Note 2)	(170,180)	
"	Spot exchange	12.31.2019~01.03.2020	NTD	60,024	(188)	"	(188)	
CTBC Investments Trust Funds	Foreign exchange swap	12.02.2019~03.04.2020	USD	108,590	(34,766)	"	(34,766)	
Taiwan Life Insurance Co., Ltd.	Spot exchange	12.30.2019~01.02.2020	USD	1,312	(23)	"	(23)	

Note 1: Financial assets measured at fair value through profit or loss.

Note 2: Financial liabilities measured at fair value through profit or loss.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Securities sold under repurchase agreements

<u>Related party</u>	<u>For the year ended December 31, 2019</u>		
	<u>Ending balance</u>	<u>Interest payable</u>	<u>Interest expenses</u>
Deutsche Bank Taipei Branch	\$ -	-	3,337

(ix) Securities transactions:

<u>Related party</u>	<u>For the year ended December 31, 2020</u>	
	<u>Securities bought</u>	<u>Securities sold</u>
CTBC Financial Holding Co., Ltd.	\$ 22,600,000	-

<u>Related party</u>	<u>For the year ended December 31, 2019</u>	
	<u>Securities bought</u>	<u>Securities sold</u>
CTBC Financial Holding Co., Ltd.	\$ 7,200,000	-
Hon Hai Precision Industry Co., Ltd.	13,869,063	-
	<u>\$ 21,069,063</u>	<u>-</u>

(x) Balance details of holding stocks issued by related parties:

<u>Related party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Taipei Financial Center Corporation	\$ 795,600	838,350
Hon Hai Precision Industry Co., Ltd.	-	528
	<u>\$ 795,600</u>	<u>838,878</u>

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xi) Others

1) Income

		For the years ended December 31	
		2020	2019
<u>Related party</u>	<u>Summary</u>		
Taiwan Life Insurance Co., Ltd.	Commission for joint sales, income from group catering, commission income, and allocation of information	\$ 5,874,590	4,303,164
Taipei Financial Center Corporation	Commission income and the remunerations to directors and supervisors	86,412	126,877
CTBC Financial Holding Co., Ltd.	Allocation of information, commission income, and income from group catering	66,469	41,233
CTBC Investments Co., Ltd.	Feedback fund, income from group catering, commission income, and allocation of information	44,888	48,757
CTBC Securities Co., Ltd.	Allocation of information, profits from selling products, income from group catering, and commission income	42,306	23,211
CTBC Insurance Co., Ltd.	Commission income, commission for joint sales, allocation of information, and insurance claims	41,520	44,328
Sungbo Co., Ltd.	Commission income	5,180	4,920
Taiwan Lottery Co., Ltd.	Income from group catering and income from machine relocation	4,141	4,528
Grand Bills Finance Corporation	Commission income, the remunerations to directors and supervisors, and transportation allowance	3,679	3,662
CTBC Asia Limited	Allocation of information and commission income	1,689	1,612
CTBC Charity Foundation	Commission income, income from group catering, and allocation of information	1,598	1,940
Brother Recreational Co., Ltd.	Commission income and income from group catering	1,318	1,051
HoFa Land Development Co., Ltd.	Commission income	969	200
Financial Information Service Co., Ltd.	The remunerations to directors and supervisors	751	-
Chinatrust Real Estate Co. Ltd.	Business service income	732	637
CTBC Venture Capital Co., Ltd.	Income from group catering, and allocation of information	729	555
CTBC Asset Management Co., Ltd.	Remittance fees, income from group catering, and allocation of information	525	502
Chaillese Finance Co., Ltd.	Commission income of financial advisory services	-	10,713
Hon Hai Precision Industry Co., Ltd.	Commission income	-	1,130
Individuals	Commission income	3,563	6,775
		<u>\$ 6,181,059</u>	<u>4,625,795</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The balances of accounts receivable for foregoing transactions were as follows:

<u>Related party</u>	<u>Summary</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Taiwan Life Insurance Co., Ltd.	Commission for joint sales, income from group catering, commission income, and allocation of information	\$ 688,114	361,124
CTBC Financial Holding Co., Ltd.	Allocation of information, commission income and income from group catering	6,748	5,072
CTBC Investments Co., Ltd.	Feedback fund, income from group catering, commission income, and allocation of information	3,068	2,659
CTBC Securities Co., Ltd.	Allocation of information, profits from selling products, income from group catering, and commission income	859	658
CTBC Insurance Co., Ltd.	Commission income, commission for joint sales, allocation of information, and insurance claims	87	71
Taiwan Lottery Co., Ltd.	Income from group catering, and income from machine relocation	277	407
Grand Bills Finance Corporation	Commission income, the remunerations to directors and supervisors, and transportation allowance	50	-
CTBC Asia Limited	Allocation of information, and commission income	103	-
CTBC Charity Foundation	Commission income, income from group catering, and allocation of information	620	521
HoFa Land Development Co., Ltd.	Commission income	30	-
CTBC Venture Capital Co., Ltd.	Income from group catering, and allocation of information	48	65
CTBC Asset Management Co., Ltd.	Remittance fees, income from group catering, and allocation of information	56	57
		<u>\$ 700,060</u>	<u>370,634</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Expenses

<u>Related party</u>	<u>Summary</u>	<u>For the years ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Taiwan Lottery Co., Ltd.	Lottery service fees	\$ 1,998,030	1,804,931
Brother Recreational Co., Ltd.	Sponsorship, marketing feedback fund, and gift expenses	276,925	287,801
Taiwan Life Insurance Co., Ltd.	Group insurance fees and bonus for joint sales campaigns	132,629	110,185
Taipei Financial Center Corporation	Sponsorship, joint-brand credit card payments, ATM utility bill, consultant fees, and redeemed rewards points	105,718	121,137
CTBC Security Co., Ltd.	Security fees	91,860	142,788
CTBC Insurance Co., Ltd.	Insurance fees	58,245	20,102
Taiwan Relo Club, Ltd.	Gift expenses, marketing fees, and redeemed rewards points	43,844	34,545
Taiwan Institute of Economic Research	Expenses for domestic economics research and business consulting commissioned research	12,000	11,000
CTBC Financial Holding Co., Ltd.	Miscellaneous purchases, recruitment and marketing fees	5,912	3,631
APEX Credit Solutions Inc.	Collection assistance fees	5,693	19,493
Chinese Taipei Baseball Association	Naming rights sponsorship	5,000	5,000
CTBC Securities Co., Ltd.	Service fees for trust and brokerage fees	4,459	5,887
Chinatrust Real Estate Co., Ltd.	Agency service fees	4,400	3,159
Chung-Chie Property Management Co., Ltd.	Outsourcing fees and repair expenses	2,394	2,945
Sungbo Co., Ltd.	Gift expenses and management fees	1,414	1,898
Fina Finance & Trading Co., Ltd.	Business service fees	1,180	6,516
CTBC Business School	Expense for commissioned research	745	2,000
Chailease Finance Co., Ltd.	Business service fees	361	1,176
CTBC Financial Park Management authority	The Bank's headquarters management fees	-	139,973
CTBC Administration Building Management authority	The Bank's headquarters management fees	-	16,582
CTBC Technology Building Management authority	Management fees	-	4,177
CTBC Culture Foundation	Marketing fees	-	1,833
		<u>\$ 2,750,809</u>	<u>2,746,759</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Foregoing transactions, accounts payable balances were as follows:

<u>Related party</u>	<u>Summary</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Taiwan Lottery Co., Ltd.	Lottery service fees	\$ 863,035	699,868
Brother Recreational Co., Ltd.	Sponsorship, marketing feedback fund, and gift expnses	199	134
Taiwan Life Insurance Co., Ltd.	Group insurance fees and bonus for joint sales campaigns	14,455	11,327
Taipei Financial Center Corporation	Sponsorship, joint-brand credit card payments, ATM utility bill, consultant fees, and redeemed rewards points	6,438	10,295
CTBC Security Co., Ltd.	Security fees	8,893	17,756
CTBC Insurance Co., Ltd.	Insurance fees	7,536	6,344
Taiwan Relo Club, Ltd.	Gift expenses, marketing fees, and redeemed rewards points	6,092	1,901
Taiwan Institute of Economic Research	Expenses for domestic economics research and business consulting commissioned research	3,000	2,750
CTBC Financial Holding Co., Ltd.	Miscellaneous purchases, recruitment and marketing fees	3,913	-
APEX Credit Solutions Inc.	Collection assistance fees	-	4,963
Chinatrust Real Estate Co., Ltd.	Agency service fees	1,241	-
Chung-Chie Property Management Co., Ltd.	Outsourcing fees and repair expenses	-	91
Sungbo Co., Ltd.	Gift expenses and management fees	-	24
Fina Finance & Trading Co., Ltd.	Business service fees	41	387
Chailease Finance Co., Ltd.	Business service fees	-	3
CTBC Financial Park Management authority	The Bank's headquarters management fees	-	36,000
CTBC Administration Building Management authority	The Bank's headquarters management fees	-	5,200
CTBC Technology Building Management authority	Management fees	-	800
		<u>\$ 914,843</u>	<u>797,843</u>

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Others

<u>Related party</u>	<u>Summary</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
CTBC Financial Holding Co., Ltd.	Purchase of computers, sales of computers, and purchase of a batch of property	\$ 14,139	1,286
Fina Finance & Trading Co., Ltd.	Released undue loans (Note)	6,493	35,952
Others	Advances for utilities expenses, security fees, training, postage, allocation of the golf competition, and other expenses	6,211	9,740
CTBC Asia Limited	Advances for office rentals	<u>6,188</u>	<u>4,590</u>
		<u>\$ 33,031</u>	<u>51,568</u>

Note: The Bank signed a strategic alliance agreement with Fina Finance & Trading Co., Ltd. agreeing loans will be released directly to Fina's clients, and Fina pledged to buyback and settle all debts once any delay arises.

No significant discrepancy in transaction terms found between related party transaction and non-related party transaction.

(c) Key management personnel compensation in total

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Salary and other short-term employee benefits	\$ 1,303,136	1,300,422
Post-employment benefits	17,860	16,984
Share-based payment	<u>(94,974)</u>	<u>492,492</u>
Total	<u>\$ 1,226,022</u>	<u>1,809,898</u>

The Bank and subsidiaries recognized the changes in the fair value of share-based payments in profit or loss over the vesting period. For the year ended December 31, 2020, the share-based payments expenses were reversed due to the changes in fair value.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

Pledged assets of the Bank and subsidiaries were as follows:

Unit: In Thousands of New Taiwan Dollars

Assets	Type of securities	Par value of refundable deposits		Purpose of collateral
		December 31, 2020	December 31, 2019	
Due from Central Bank and call loans to banks	Required reserve—Account B	6,000,000	-	Project fund accommodations secured
Financial assets measured at fair value through other comprehensive income	Bond	3,298,083	12,381,433	Overdrafts secured, credit line from Federal Reserve Bank, other deposits, pledge, and repurchase agreement pledge
	Government bond	66,807	64,186	Overdrafts secured and other legal reserves
Receivables	Matured securities classified under other receivables	1,300	1,300	Deposits for litigation
Investment in debt instruments at amortized cost	NCD of Central Bank	29,850,000	29,860,000	Daytime overdrafts of Central Bank, deposits for bills dealer, deposits for calling loans in foreign currency, call loan liquidation account in U.S. dollars, and call loan liquidation account in JPY
	NCD	391,000	391,000	Guarantee fulfillment of superfcies
	Government bond	1,048,700	1,058,602	Trust funds reserves, bond settlement reserves, deposits for litigation, other guarantee deposits, and other legal reserves
Other financial assets	Time deposit	670,410	369,580	Guarantee deposits for futures dealer, CPC Corporation, Taiwan guarantee fulfillment, public welfare walkway guarantee fulfillment, and joint-brand credit card guarantee fulfillment

As of December 31, 2020 and 2019, the deposits for public welfare lottery issuance of the Bank's irrevocable standby letter of credit were all \$1,050,000.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

(a) Major commitments and contingencies

	December 31, 2020	December 31, 2019
Contingent liabilities from guarantee and letter of credit business	\$ 102,146,647	92,575,881
Promissory note to Central Bank for Bank's clearance	198,968	198,968
Client notes in custody	85,066,494	93,860,776
Marketable securities and debts in custody	3,242,510,510	2,994,741,293
Consigned travelers' checks in custody	-	231,039
Designated purpose trust accounts	1,325,313,127	1,210,661,512
Other items in custody	<u>368,161</u>	<u>353,120</u>
Total	<u>\$ 4,755,603,907</u>	<u>4,392,622,589</u>

As of December 31, 2020 and 2019, the credit amount of the cancellable loan commitments of the Bank and subsidiaries were \$1,439,047,127 and \$1,389,847,297, respectively.

The Bank renewed the services contract of information resources with International Business Machines, authorizing a five years and four months contract term commencing from September 1, 2017, and ending on December 31, 2022, in the amount of \$2.67 billion, which comprises a host computer lease fee, an authorization fee, and an annual software maintenance fee.

The Bank was designated by the Ministry of Finance (the "MOF") as the issuing institution for the fourth term of public welfare lottery. The periods of the term are from January 1, 2014 to December 31, 2023. The Bank was authorized to arrange and issue traditional lottery, scratch and win lottery, and computerized lottery tickets. For the fourth term of public welfare lottery, the Bank receives a commission for issuing lottery tickets, representing 4.35% of the total lottery sales amount. The commission will be settled monthly. And the Bank's profit will be what remains after a fixed payment of \$2,700,000 to the MOF per year. Furthermore, in order to ensure that the lottery prize payout rate is not greater than 60% of the lottery issuing amount, the Bank created a transitional monitoring account, provision for the lottery prize and the Bank adopted appropriate risk control strategies.

On May 31, 2013, the Bank signed a contract with LotRich Information Co. for lottery software, hardware purchase and establishment and maintenances services amounting to \$2,322,756 within which \$1,633,851 was for software service. The maintenance service started from May 31, 2013 to the redemption date of the last lottery ticket issued in December 2023. The service will be finished as all the settlement, consignment and aftermath of the work have been done.

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CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Bank entrusted Taiwan Lottery Co., Ltd. to operate the public welfare lottery's ticket issuing, sales, promotion, drawing, payment of prize, and management, with a contract period from November 11, 2013, and ending on June 30, 2024. The Bank will disburse 4.35% of the total lottery sales amount as commission to Taiwan Lottery Co., Ltd. The Bank agreed that Taiwan Lottery Co., Ltd. can receive a reward, amounting to the commission revenue after the deduction of value-added tax (VAT), rebates and direct costs incurred for the lottery business, and the addition of marginal benefits, if the balance is positive. Otherwise, Taiwan Lottery Co., Ltd. should pay for the discrepancy, if the balance is negative. On May 20, 2015, the reward calculation was revised by deleting the addition of marginal benefits, and was retroactively applied from January 1, 2015.

On November 6, 2015, the Bank signed with Zile Development Co., Ltd.(BVI) and Shuohe Development Co., Ltd. a contract of joint construction for a building on the land, zone 18 at Xinyi section 4, Xinyi District, Taipei City. The Bank will retain 5% of the rights of the land for joint construction, get 5% of the whole construction area of the new building and the corresponding land, and burden 5% of the costs of construction based on purchase contract and joint construction contract. The Bank expects to invest \$530 million of the total costs of the construction. As of December 31, 2020, the Bank has paid \$212,505.

As of December 31, 2020, the unpaid amounts of the committed investment facility of signed private fund contract of the Bank and subsidiaries were JPY 3,418,358 thousand.

- (b) The below information is shown based on the disclosure requirements of Enforcement Rules of the Trust Enterprise Act, Article 17.

Balance Sheet of Trust Accounts

<u>Trust Assets</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Trust Liabilities</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash in deposits	\$ 45,550,608	37,616,152	Payables	689,146	665,290
Receivables	71,483	187,092	Payable securities in custody	684,962,529	590,019,684
Bonds	29,843,569	31,752,745	Other liabilities	53,692	39,873
Stocks	197,281,883	187,125,806	Trust capital	548,468,044	549,258,699
Mutual funds	292,840,454	293,258,206	Miscellaneous reserves and accumulated earnings	89,146,909	69,701,100
Structured products	26,868,216	21,418,559			
Other investments	1,853,684	1,949,743			
Real estates – net	44,018,843	46,325,871			
Securities in custody	684,962,529	590,019,684			
Other assets	29,051	30,788			
Total trust assets	<u>\$1,323,320,320</u>	<u>1,209,684,646</u>	Total trust liabilities	<u>1,323,320,320</u>	<u>1,209,684,646</u>

Note: As of December 31, 2020 and 2019, the Bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to \$4,384,925 and \$4,063,326, respectively.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Properties Catalog of Trust Accounts

Investments	December 31, 2020	December 31, 2019
Cash in deposits	\$ 45,550,608	37,616,152
Receivables	71,483	187,092
Bonds	29,843,569	31,752,745
Stocks	197,281,883	187,125,806
Mutual funds	292,840,454	293,258,206
Structured products	26,868,216	21,418,559
Other investments	1,853,684	1,949,743
Real estates— net		
Lands	43,958,333	46,265,361
Buildings	60,510	60,510
Subtotal	44,018,843	46,325,871
Securities in custody	684,962,529	590,019,684
Other assets		
Superficies	28,478	30,181
Prepaid other payments	573	607
Subtotal	29,051	30,788
Total	\$ 1,323,320,320	1,209,684,646

Income Statement of Trust Accounts

	For the years ended December 31	
	2020	2019
Trust revenues	\$ 8,411,049	8,629,610
Trust expenses	(1,928,342)	(1,053,300)
Earnings before tax	6,482,707	7,576,310
Less: Income tax expenses	8,789	9,253
Net profits	\$ 6,473,918	7,567,057

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Other significant legal matters

(i) Structured Notes

From September to December in 2005, the Bank's Hong Kong branch ("HK Branch"), purchased structured notes ("Overseas Structured Notes") in a total par value of US\$390 million from Barclays Bank PLC with the approval of the Bank's board of directors. When CTBC Financial Holding Co., Ltd. ("CTBC Holding") intended to invest in Mega Financial Holding Company in 2006, the Overseas Structured Notes must be sold in order that the Bank should not violate the 5% shareholding ceiling in another single company set on a commercial bank in the Banking Act of the Republic of China. The HK Branch thus sold the Overseas Structured Notes at the market price to Red Fire, a special purpose vehicle acquired by the then president of the Bank's corporate banking department (i.e., Mr. xxx Chen). In the sale of the Overseas Structured Notes, the Bank earned a profit of US\$8.448 million. Through the redemption of the Overseas Structured Notes from Barclays Bank PLC, Red Fire had a profit of US\$30.47 million, among which an amount about US\$9.50 million was, for certain unknown reasons, remitted into an account controlled by Mr. Chen, and the balance about US\$20.90 million had been remitted to CTBC Holding's overseas subsidiary, CT Opportunity Investment Company. Pursuant to the request of Financial Supervisory Committee ("FSC"), CTBC Holding's directors advanced US\$30.47 million to the Bank in September 2006 so as to allow a smooth development of business operations. Given that the amount so advanced is far more than the amount about US\$9.50 million (which was not remitted to CTBC Holding's overseas subsidiary), the Bank had thus suffered no losses.

Per a letter dated April 28, 2011 from two directors of CTBC Holding (i.e., Chung Cheng Investment and Kuan Ho Construction & Development), they realized that the Bank suffered no losses in its sale of Overseas Structured Notes, based on the Analysis Report on the Sale of Structured Notes to Red Fire by the Bank's Hong Kong Branch ("Analysis Report") attached to CTBC Holding's letter dated March 30, 2011 (with a reference number of Chung Hsin Chin 1002243570005), and they further indicated that as stated in the Analysis Report, without the ground that the Bank suffered losses pursuant to which an agreement dated February 9, 2009 was signed between CTBC Holding and these two directors, the Bank was thus urged to negotiate with them for a reasonable solution. The Bank sent a letter dated August 16, 2011 to Chung Cheng Investment and Kuan Ho Construction & Development asking them to waive their right of claim arising from the advancement of US\$30.47 million made in September of 2006. These two directors responded and agreed to waive on August 18, 2011, but they requested that the Bank should apply the US\$20.90 million proceeds to loans for emergency assistances and charities, and the Bank should transfer US\$9.57 million to CTBC Holding so as to make up the losses recognized by CTBC Holding which arose from the investment made by CTBC Holding's overseas subsidiary, CT Opportunity Investment Company. In this regard, the Bank and these two directors would have to further negotiate, as the Bank has yet made the aforesaid applications about the US\$20.90 million, but these two directors still insisted so. Furthermore, Red Fire was deemed as CTBC Holding's special purpose vehicle as Red Fire's profits would ultimately belong to CTBC Holding based on the investigation conducted by CTBC Holding and the opinion of the legal counsel appointed by CTBC Holding. As manifested in the fund flow, none of the ex-chairman of the Bank, Mr. Koo and the other three employees involved in the litigation had acquired any gains personally.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

After this case was appealed for the third instance, the Supreme Court, in August of 2014, revoked the judgment made by the High Court and a re-trial by the High Court was ordered. In the judgment made by the High Court for the first re-trial on September 12, 2018, a defendant was judged not guilty and the others were guilty. All of the defendants judged guilty and the Taiwan High Prosecutors Office had appealed against the judgment. On November 14, 2019, the Supreme Court revoked the guilty judgment made by the first retrial High Court on the defendants (i.e., Koo, Chang and Lin) and a second re-trial by the High Court was ordered and the non-guilty judgment on the defendants (i.e., Chang, Lin and Deng) was sustained. Given this, this case has yet been completely final and conclusive. According to the opinion of the legal counsel retained by CTBC Holding, “The profits of US\$20.90 million from the redemption of the structured notes by Red Fire have been remitted to CT Opportunity Investment Company, an overseas subsidiary of CTBC Holding. In addition, two directors of CTBC Holding have advanced US\$30,474,717 to CTBC Bank. Given that the total of the aforesaid two amounts is far more than the profits realized by Red Fire from the redemption of the structured notes, CTBC Holding has thus suffered no losses. Furthermore, as far as the legal liability is concerned, since this case is a criminal one, even if certain defendants were judged guilty, such judgment would not apply to CTBC Holding as a corporate entity. Besides, the guilty judgment has yet been final. Hence, the judgment has no material adverse impact upon the financial conditions or business operations of CTBC Holding, and would not affect the fact that CTBC Holding suffers no losses or damages.” It is thus assessed that this case has no material impact upon the operation and shareholders’ interests of the Bank.

The Taiwan High Prosecutors Office filed a petition to the High Court on July 6, 2016 against CTBC Holding trying to recover NT\$261,696,000 illegal income arising from the stock price manipulation conducted by CTBC Holding. The High Court for the 1st retrial notified CTBC Holding to attend the court hearings as a third interested party. CTBC Holding is of the opinion that this case has no such act of stock price manipulation and there is no illegal income. A legal counsel has been retained to claim so in the High Court for the 1st retrial. In its judgment made by the High Court for the 1st retrial on September 12, 2018, CTBC Holding’s property should neither be confiscated nor pursued on the ground (among others) that this case has no such act of stock price manipulation and there is thus no illegal income. Regarding the judgment of no confiscation of CTBC Holding’s property made by the High Court for the 1st retrial on September 12, 2018, the Supreme Court revoked it and ordered a second retrial on the ground that even the prosecutor did not appeal to the Supreme Court against the “no confiscation” judgment, the appeal nonetheless applies to this issue. In order to avoid a conflict of judgments respectively made by the 1st retrial court and the 2nd retrial court as far as the “confiscation” issue is concerned, the Supreme Court thus revoked the “no confiscation” judgment and ordered a 2nd retrial. Hence, the “no confiscation” judgment has yet been final.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) NPLs and Transaction of Chengcing Lake Building

As to the indictment brought by the prosecutor of the Taipei District Prosecutors Office on August 26, 2019 about the transaction of real property and non-performing loans between the Bank and its related parties (i.e., Tectonics Laboratories Co., Ltd. and other companies) in 2005 and 2006, the legal counsel appointed by CTBC Holding opined that “Keshin Company, Lilin Company and Tectonics Laboratories Co., Ltd. were all special purpose vehicles indirectly owned by CTBC Asset Management Co., Ltd., therefore the profits arising from the transactions between the aforesaid three companies and CTBC Bank or CTBC First Asset Management Co., Ltd., a subsidiary of CTBC Asset Management Co., Ltd. should ultimately belong to CTBC Holding. Because the non-performing loans of Fengshan Credit Union were sold by CTBC Bank within the appraise value range, there thus were no losses or damages. Given that the other three transactions of non-performing loans had been canceled and the payments thereof had been returned to CTBC Bank, no losses or damages would have been made to CTBC Holding or CTBC Bank. According to the data provided by CTBC Holding, the profits derived from the sale of Chenghu Building had been remitted to CT Opportunity Investment, a subsidiary of CTBC Asset Management Co., Ltd. and had ultimately been returned to CTBC Holding. Given this, the transaction of Chenghu Building had caused no losses or damages to CTBC Holding and CTBC Bank.” Based upon the aforesaid legal opinion, it is thus assessed that this case has no material impact on the operations and shareholders’ interests of the Bank.

(iii) Neihu Land and Building

Regarding the transaction in which the Bank purchased three lots of land in Neihu, Taipei and the buildings thereon (consisting of administration building and computer facilities) and from which Mr. xxx Chang and others earned improper price differences, the Taipei District Prosecutors Office brought an indictment on January 12, 2017 and an additional indictment against another employee on January 4, 2018. All defendants indicted on January 12, 2017 were judged guilty and they have appealed. As to the additional indictment made on January 4, 2018, the employee in question was judged not guilty by the Taipei District Court on June 4, 2019, but this part has yet been final. In respect of the guilty judgment, the legal counsel retained by CTBC Holding opined in writing: “CTBC Bank made the aforesaid purchase of the administration building and computer facilities with the approval of its board of directors and it had in advance hired professional institutions to give an appraisal price for reference. Even if the court doubted that the appraisal institutions failed to appraise the real property objectively, it did not object the appraisal conclusion. Given that (1) the purchase prices were less than the appraisal prices and (2) the purchase prices did not exceed the ceilings set by the board of directors of CTBC Bank, it could be proven that the purchase prices were comparable with the then reasonable prices and the employees-in-charge had followed the resolution of the board of directors without breaking the law. It may therefore be concluded that CTBC Bank suffered no losses or damages from the said transaction. Furthermore, as far as the legal liability is concerned, since this case is a criminal one, even if defendants were judged guilty, such judgment would not apply to CTBC Bank as a corporate entity. In addition, this has yet been final. Hence, the guilty judgment has no material adverse impact upon the present financial conditions or business operations of CTBC Bank or CTBC Holding.” Regarding the issue raised in the guilty judgment that Yongyue Development Co., Ltd. is a related party to the Bank and the transaction in question should be disclosed in the financial statement of the Bank and CTBC Holding, the board of directors of CTBC Holding requested the department-in-

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

charge together with a legal counsel to analyze and report. The analysis report manifests: “In our opinion, Mr. Chang in substance is not a person-in-charge and he has no controlling power over CTBC Bank’s policies or operations. The process and price of the purchase transactions in question had been made in accordance with the law. Besides, Mr. Chang did neither attend the board meeting in which the transaction in question was reviewed nor participate in the formation of decision about purchasing the real property in question.” The legal counsel further opined: “According to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, Article 45 of the Financial Holding Company Act, CTBC Bank’s Regulations Governing Transactions (other than credit extensions) by Quasi-Related Parties of CTBC Bank as amended on July 31, 2013, Regulations Governing the Preparation of Financial Statements by Issuers of Securities, Regulations Governing the Preparation of Financial Statements by Banks, and IAS 24, Mr. Chang is not, in form or in substance, a related party or quasi-related party of CTBC Bank.”

“Ms. Woo, a shareholder of Yongyue Development Co., Ltd. (also the ultimate beneficiary) and the spouse of Mr. Chang’s younger brother, has taken no position of decision making power as stipulated in the aforesaid regulations and has no such identity as stated in Para. 9 of IAS (Part A). Thus, Ms. Woo is not a related party or quasi-related party of CTBC Bank.” As stated in the aforesaid analysis report and legal opinion, Mr. Chang is not a person-in-charge in substance of the Bank and is neither a related party nor a quasi-related party of the Bank in form or in substance. Even if Mr. Chang is deemed as a person-in-charge in substance of the Bank, Ms. Woo, as a second-degree relative (in marriage) of Mr. Chang, should not be deemed as a related party or a quasi-related party of the Bank, in accordance with Para. 9 of IAS (Part A).

The legal counsel concluded “Regardless the guilty judgment has yet been final, the evidences as referred to in the judgment are not strong enough to support the point that Mr. Chang managed Yongyue in substance. Besides, the profits earned by Yongyue are irrelevant to Mr. Chang. As such, the transaction between CTBC Bank and Yongyue is not a related-party transaction as far as CTBC Bank or CTBC Holding is concerned and thus, there is no need to disclose such deal in the financial statement.”

“From the evidences as stated in the guilty judgment, (1) it cannot conclude that Mr. Chang is the person managing Yongyue in substance, as mentioned above, and (2) neither Mr. Chang nor Ms. Woo is a related party or quasi-related party of CTBC Bank. We may say that Yongyue is not a related party or quasi-related party of CTBC Bank, the transaction in question between Yongyue and CTBC Bank is not a related-party transaction and accordingly, there should be no need for CTBC Holding to disclose such transaction in its quarterly or annual financial statement as a related-party transaction. It may conclude that there is no such illegal misstatement in the financial statement.” Based upon the aforesaid legal opinion, given that (1) the purchase prices were comparable with the then reasonable prices and the employees-in-charge had followed the resolution of the board of directors without breaking the law. It may therefore be concluded that the Bank suffered no losses or damages from the said transaction. In addition, neither Mr. Chang nor Yongyue is a related party or quasi-related party of the Bank. There should be no need for CTBC Holding to disclose such transaction in its quarterly or annual financial statement as a related-party transaction. It may conclude that there is no such illegal misstatement in the financial statement. It is thus assessed that this case has no material impact on the operations and shareholders’ interests of the Bank.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Tainan Real property

As stated in a press release on September 12, 2019, the Taipei District Prosecutors Office made an indictment relating to a sale by the Bank of a real property located in Tainan in 2012. The legal counsel retained by CTBC Holding opined that since (1) the Bank had hired a professional appraisal company to appraise before the transaction, (2) the sale price was higher than (a) the appraisal price and (b) the book value shown in June 2012, (3) the transaction in question was duly made in accordance with the Bank's approval process, the transaction in question was made in due process following the Bank's internal rules and relevant laws and regulations and the Bank had suffered no losses or damages. It is thus assessed that this case has no material impact on the operations and shareholders' interests of the Bank.

(v) Ex-Xinyi Headquarter Building

Regarding the transaction in which the Bank sold 95% of its holding in the land at Songshou building (i.e., Ex Xinyi headquarter building) in Taipei on November 6, 2015, the legal counsel retained by CTBC Holding opined that the Bank sold the land by way of public tender, Cushman & Walkfield was appointed to carry out the public tender, and Baker & McKenzie was also retained to monitor the whole process. The Bank had hired two professional appraisal companies to conduct appraisals in advance and the floor price for the public tender was set at the average of two appraisal prices. The transaction in question had been approved by the Bank's audit committee and board of directors. The sale price was higher than the floor price set for the public tender. A public announcement about its board approval and the sale had been made by the Bank. The transaction in question had been made duly in accordance with relevant laws and regulations and the Bank's internal rules, and the Bank suffered no losses or damages. All CTBC Holding and the Bank's relevant employees were rendered the final ruling of non-prosecution on October 8, 2020.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

(a) Profitability

Unit: %

Items		December 31, 2020	December 31, 2019
Return on assets ratio (annual)	Before income tax	0.74	0.94
	After income tax	0.62	0.75
Return on equity ratio (annual)	Before income tax	10.38	12.71
	After income tax	8.77	10.21
Net income ratio		27.57	29.80

Note 1: Return on assets ratio = Net income before/after income tax ÷ average total assets.

Note 2: Return on equity ratio = Net income before/after income tax ÷ average total stockholders' equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

Note 4: Net income before/after tax represented accumulated income of current year.

- (b) The income and expenses arising from the joint marketing operation and information interoperability amongst the Financial Holding Company's subsidiaries were allocated as follows:

The Bank and Taiwan Life Insurance Co., Ltd. ("Taiwan Life") have gained from the joint business promotion. The bonus for co-marketing with Taiwan Life is shared based on annual commission rate agreed between the Bank and Taiwan Life for each insurance product.

The aforesaid allocations of revenue and expenses are disclosed in Note 7.

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CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

- (i) Loans to other businesses or individuals: Not applicable to bank subsidiaries; others: None.
- (ii) Endorsements and guarantees for others: Not applicable to bank subsidiaries; others: None.
- (iii) Marketable securities held as of December 31, 2020 (excluding invested subsidiaries, associates and joint ventures): Not applicable to banking subsidiaries; others: None.
- (iv) Cumulative purchases or sales of the same investee's capital stock up to \$300,000 or 10% of paid-in capital: Not applicable to banking subsidiaries; others:

Unit: In Thousands of New Taiwan Dollars/ Thousand Shares

Name of company	Category and name of security	Account name	Counterparty	Relationship	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
CTBC Bank Co., Ltd.	Stocks	Investment under equity method-net	CTBC Bank (Philippines) Corporation	Investment under equity method	299,012	5,783,563	48,307	854,169	-	-	-	-	347,319	6,687,352 (Note)
CTBC Bank Co., Ltd.	Stocks	Financial assets measured at fair value through other comprehensive income	Line Bank	-	-	-	50,000	500,000	-	-	-	-	50,000	500,000

Note : The ending balance includes recognition of investment income or loss.

- (v) Acquisition of real estate up to \$300,000 or 10% of paid in capital: None.
- (vi) Disposal of real estate up to \$300,000 or 10% of paid in capital: None.
- (vii) Discount on commission fees for transaction with related parties up to \$5,000: None.
- (viii) Receivables from related parties up to \$300,000 or 10% of paid in capital:

Unit: In Thousands of New Taiwan Dollars

Name of company	Counterparty	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
CTBC Bank Co., Ltd.	Taiwan Life Insurance Co., Ltd.	Controlled by the same company as the Bank.	688,114	- %	-	-	Has fully recovered	-

- (ix) Financial derivative transactions: Not applicable to bank subsidiaries; others: None.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Information on NPL disposal transaction:

1) Summary table of NPL disposal:

Unit: In Thousands of JPY Dollars

Trade date	Counterparty	Debt component	Book value	Sale price	Gain (loss) on disposal	Additional term	Relationship
May 26, 2020	Yamada Servicer Synthetic Office Co., Ltd.	Secured loan	JPY 24,264	JPY 24,082	JPY (182)	None	Non-related party
May 26, 2020	Abilio Servicer Co., Ltd.	Secured loan	JPY 31,585	JPY 30,394	JPY (1,191)	None	Non-related party
September 8, 2020	Japan Collection Service Co., Ltd.	Unsecured loan	JPY 188,270	JPY 77,207	JPY (111,063)	None	Non-related party
September 8, 2020	HS Servicer Co., Ltd.	Unsecured loan	JPY 83,760	JPY 9,327	JPY (74,433)	None	Non-related party
November 20, 2020	Aozora Servicing. Ltd.	Secured loan	JPY 80,344	JPY 78,773	JPY (1,571)	None	Non-related party
November 20, 2020	Abilio Servicer Co., Ltd.	Unsecured loan	JPY 360	JPY 1,160	JPY 800	None	Non-related party

2) Disposal of a single batch of NPL up to \$1,000,000: None.

(xi) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: None.

(xii) Business relationship and material transaction between the parent company and subsidiaries:

No. (Note)	Party	Counterparty	Relationship	Transaction status for the year ended December 31, 2020			
				Account	Amount	Terms	Percentage of consolidated net revenues or consolidated total assets
0	CTBC Bank Co., Ltd.	CTBC Bank (Philippines) Corp.	Parent to subsidiary	Loans/ Due to Central Bank and other banks	1,140,320	Identical with non-related parties	0.03%
0	CTBC Bank Co., Ltd.	The Tokyo Star Bank, Ltd.	Parent to subsidiary	Deposit form Central Bank and other banks/ Due from Central Bank and call loans to bank	2,765,000	Identical with non-related parties	0.06%
0	CTBC Bank Co., Ltd.	The Tokyo Star Bank, Ltd.	Parent to subsidiary	Due from Central Bank and call loans to bank/ Deposit form Central Bank and other banks	8,552,400	Identical with non-related parties	0.19%

Note: Serial number is determined as follows:

1. 0 represents parent company.
2. Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

(xiii) Other significant transactions that may have substantial influence upon the decisions made by financial statement users: None.

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

Unit: In Thousands of New Taiwan Dollars/ Thousand Shares

Name of investee company	Location	Main business scope	Shareholding ratio	Book Value	Investment gain (loss) recognized	Aggregate shareholding of the Bank and subsidiaries				Note
						Number of shares	Number of pro forma shares	Total		
								Number of shares	Shareholding ratio	
CTBC Bank (Philippines) Corp.	16th to 19th Floors, Fort Legend Towers 31st Street corner 3rd Avenue Bonifacio Global City, Taguig City, 1634 Philippines	Commercial banking and financing business	99.72%	6,687,352	110,515	347,319	-	347,319	99.72%	The transaction on the left has been written off when composing consolidated financial report.
PT Bank CTBC Indonesia	Tamara Center, 15th-17th Fl., Jl Jenderal Sudirman Kav. 24 Jakarta 12920 Indonesia	Commercial banking and financing business	99.00%	6,147,128	137,246	1	-	1	99.00%	"
CTBC Bank Corp. (Canada)	Suite #350-2608 Granville Street, Vancouver, B.C., V6H 3V3, Canada	Commercial banking and financing business	100.00%	1,685,759	74,749	2,746	-	2,746	100.00%	"
CTBC Capital Corp.	801 S. Figueroa Street, Suite 2300, Los Angeles, CA 90017, USA	Investment business	100.00%	16,618,179	1,057,309	6	-	6	100.00%	"
Grand Bills Finance Corporation	11F., No. 560, Sec. 4, Zhongxiao E. Rd., Taipei City 106, Taiwan (R.O.C.)	Proprietary traders of short-term bills and bonds	21.15%	2,281,315	153,485	114,399	-	114,399	21.15%	
CTBC Bank Corp. (USA)	801 S. Figueroa Street, Suite 2300, Los Angeles, CA 90017, USA	Commercial banking and financing business	100.00%	15,939,925	1,031,453	common shares 3 preferred shares 100	-	common shares 3 preferred shares 100	100.00%	The transaction on the left has been written off when composing consolidated financial report.
The Tokyo Star Bank, Ltd.	2-3-5 Akasaka, Minato-Ku, Tokyo, 107-8480, Japan	Commercial banking and financing business	100.00%	44,444,069	(924,102)	700	-	700	100.00%	"
Tokyo Star Business Finance, Ltd.	2-7-1, Nishi-Shinjuku, Shinjuku, Tokyo	Financing and assurance business	100.00%	3,267,389	(21,776)	1,936	-	1,936	100.00%	"
TSB Servicer, Ltd.	1-7-5, Sekido, Tamashi, Tokyo	Debts management business	100.00%	691,289	70,059	-	-	-	100.00%	Company in liquidation, the transaction on the left has been written off when composing consolidated financial report.
AZ-Star Co., Ltd.	5-2-7, Gobancho, Chiyodaku, Tokyo	Fund management business	40.00%	17,117	1,501	-	-	-	40.00%	
AZ-Star no. 1 Investment Limited Partnership	5-2-7, Gobancho, Chiyodaku, Tokyo	Equity investment business	43.98%	264	9,135	3	-	3	43.98%	
AZ-Star no. 3 Investment Limited Partnership	5-2-7, Gobancho, Chiyodaku, Tokyo	Equity investment business	23.56%	116,904	(22,345)	3	-	3	23.56%	
LH Financial Group Public Company Limited	1Q, House Lumpini Building, 5th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120	Investment business	36.07%	16,362,979	697,294	7,544,961	-	7,544,961	36.07%	
Xiamen Jinmeixin Consumer Finance Co., Ltd.	Xiamen International Financial Central 6th Floor, No. 82, Hongzhan Road, Siming Dist., Xiamen City, China (P.R.C)	Consumer financial business	34.00%	871,195	85,789	-	-	-	34.00%	

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) Related information on investee companies in Mainland China:

Unit: In Thousands of New Taiwan Dollars/ Thousands of US Dollars/ Thousands of RMB Dollars

Name of investee company in Mainland China	Main businesses	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Investment gains (losses)	Percentage of ownership for direct or indirect investment	Investment gains (losses) (Note 2)	Book value as of December 31, 2020	Accumulated inward remittance of earning as of December 31, 2020
					Outflow	Inflow						
CTBC Bank Co., Ltd., Shanghai Branch	Commercial banking	6,194,068 USD 206,045	3	6,194,068 USD 206,045	-	-	6,194,068 USD 206,045	710,031 RMB164,802	A branch in Shanghai; not an investee	710,031	7,480,744	None
CTBC Bank Co., Ltd., Guangzhou Branch	Commercial banking	4,114,056 USD 130,531	3	4,114,056 USD 130,531	-	-	4,114,056 USD 130,531	196,151 RMB 45,850	A branch in Guangzhou; not an investee	196,151	4,855,087	None
CTBC Bank Co., Ltd., Xiamen Branch	Commercial banking	4,081,960 RMB 800,000	3	4,081,960 RMB 800,000	-	-	4,081,960 RMB 800,000	198,954 RMB 46,145	A branch in Xiamen; not an investee	198,954	4,228,024	None
CTBC Bank Co., Ltd., Shenzhen Branch	Commercial banking	1,351,890 RMB 100,000 USD 29,395	3	1,351,890 RMB 100,000 USD 29,395	-	-	1,351,890 RMB 100,000 USD 29,395	(75,108) RMB (17,577)	A branch in Shenzhen; not an investee.	(75,108)	1,227,753	None
Xiamen Jinmeixin Consumer Finance Co., Ltd.	Financing business	795,471 RMB 170,000	1	795,471 RMB 170,000	-	-	795,471 RMB 170,000	252,321 RMB 58,850	34%	85,789	871,195	None

Note 1: Three methods of investment are as below; identify one of them:

1. Invest in Mainland China companies directly.
2. Re-invest in Mainland China companies through another investee in a third area. (Please identify the investee in the third area).
3. Other method: set up new overseas branches.

Note 2: The column of "Investment gains (losses)":

1. If the company is still in the preparation process, and does not have any investment gain or loss, please specify.
2. The bases for recognition of investment income or loss have three methods, please specify.
 - a. The audited financial reports that are issued by an international accounting firm which is connected to an accounting firm in Taiwan.
 - b. The audited financial reports that are issued by the Taiwan parent company's designated accounting firm.
 - c. Others: the individual profit or loss of an oversea branch.
3. Please specify if information regarding current gains or losses of an investee is not retrievable.

(ii) Upper limit on investment in Mainland China:

Unit: In Thousands of New Taiwan Dollars/ Thousands of US Dollars/ Thousands of RMB Dollars

Accumulated outflow of investment from Taiwan to Mainland China as of December 31, 2020	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment authorized by Investment Commission, MOEA
16,537,445 (USD 365,971) (RMB 1,070,000)	15,491,898 (RMB 3,370,000)	187,428,008

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

The Bank and subsidiaries' provide their chief operating decision maker with necessary information according to the characteristics of the business, to facilitate the assessment of performance and allocation of operational resources. The disclosures of assets, profits and losses are the same as the summary of significant accounting policies described in Note 4.

According to IFRS 8 "Operating Segments", reportable segments are as below:

The major operating activities of Institutional Banking are commercial banking and capital market activities which provide clients with flexible and tailor- made financing services and the design, supply, and propriety trading of various financial products.

The major operating activities of Retail Banking is providing target clients with relevant financial services, including wealth management, credit cards, secured loans, and unsecured individual loans.

The major operating activities of other segments are investing and general administration. The above operating segments did not meet the criteria for reportable segments when applying quantitative thresholds.

(a) Segment Information

For the year ended December 31, 2020	Institutional banking	Retail banking	Other segments	Total
Net interest income	\$ 33,040,633	23,786,745	(213,330)	56,614,048
Non-interest income	11,591,841	26,606,671	4,105,516	42,304,028
Net income	44,632,474	50,393,416	3,892,186	98,918,076
Net income before tax	\$ 10,754,111	20,600,044	913,722	32,267,877
Total assets	\$ 3,214,277,376	1,213,579,695	82,398,971	4,510,256,042
For the year ended December 31, 2019	Institutional banking	Retail banking	Other segments	Total
Net interest income	\$ 35,411,008	20,916,321	262,612	56,589,941
Non-interest income	17,875,228	25,328,089	3,915,743	47,119,060
Net income	53,286,236	46,244,410	4,178,355	103,709,001
Net income (losses) before tax	\$ 20,536,179	19,576,006	(1,653,117)	38,459,068
Total assets	\$ 3,096,523,566	1,051,542,206	79,104,998	4,227,170,770

(Continued)

CTBC BANK CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Geographic segment information:

The Bank and subsidiaries are classified by the geographic locations of overseas operating segments, and the geographic segment information is as below:

Region	For the years ended December 31	
	2020	2019
Net income:		
Taiwan	\$ 69,690,034	68,568,566
Asia	24,856,409	30,325,130
North America	4,371,633	4,815,305
Total	\$ 98,918,076	103,709,001
Non-current assets:		
Taiwan	\$ 89,055,556	90,440,381
Asia	19,713,972	21,139,800
North America	2,835,958	2,936,187
Total	\$ 111,605,486	114,516,368

(c) Information on major customers:

For the years ended December 31, 2020 and 2019, no individual customer of the Bank and subsidiaries accounted for 10% or more of the Bank and subsidiaries' revenue in the statements of income. Therefore, disclosure of information on major customers is not required.

CTBC BANK CO., LTD.

Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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115, Taiwan, R.O.C.**

Telephone: 886-2-3327-7777

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.



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Independent Auditors' Report

To the Board of Directors of CTBC Bank Co., Ltd.:

Opinion

We have audited the financial statements of CTBC Bank Co., Ltd. (“the Bank”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in stockholders’ equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Jin Kuan Yin No.10802731571 issued by the Financial Supervisory Commission, and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

The judicial cases are stated in Note 9(c). Part of judicial cases are still under investigation by the judiciary, and the results remain uncertain. Our opinion is not modified in respect of this matter.

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, 2020. 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. In our judgment, the key audit matters which should communicate through the auditors’ report were as follows:



1. Assessment of the fair value of financial instruments

Please refer to Note 4 (e) for the related accounting policies of the assessment of the fair value of financial instruments, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6 (ao) for the other details.

Description of key audit matter:

Parts of the financial instruments owned by the Bank as of December 31, 2020 were valued via evaluation model due to the lack of transaction prices at active market, and parts of the referred input values could not be obtained from the public market. Thus, it demands significant professional judgments from the management by using different valuation techniques and assumptions for input values. Therefore, the assessment of fair value of financial instruments is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Testing the management's control procedures over the classification, measurement and disclosure of fair value of financial instruments, including evaluating how the management determines the classification of financial instruments, chooses the appropriate evaluation method and decides the prime parameter hypothesis, and confirming that the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards (IFRSs). For financial instruments with active market prices, we used sampling test to assess the appropriateness of public quoted prices. As to financial instruments using evaluation model to measure their fair value, we used sampling test to confirm the appropriateness of the evaluation method and the prime input values used by the management.

2. Impairment of loans and receivables

Please refer to Note 4 (e) for the related accounting policies of impairment of loans and receivables, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6 (h), (i), (j) and (ao) for the other details.

Description of key audit matter:

The management assessed the expected credit loss (ECL) of loans and receivables by identifying whether the credit risk of credit assets has significantly increased since initial recognition, then dividing ECL into 12-month ECL and lifetime ECL, and dividing them into collective assessment and individual assessment to measure them by using different impairment methods. For collective assessment, the impairment is calculated by establishing an impairment model and using the past loss experience, current market conditions and forward-looking estimation on assets with similar credit risk characteristic to form basic estimation. For individual assessment, the measurement is based on expected future recoverable cash flows. The aforementioned measurement methods involved significant professional judgments and estimation by the management; therefore, the impairment of loans and receivables is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Understanding the methodology and related control procedures on how the management assesses and measures the impairment amount of loans and receivables. For collective assessment, we assessed the impairment model adopted by the management and reviewed the appropriateness of the calculation of the impairment parameters (including probability of default, loss given default, exposure at default and recovery rate) via sampling. For individual assessment, we used sampling test to assess the appropriateness of the estimation of future recoverable amounts and the value of collateral. Meanwhile, we assessed whether the allowance for loans and receivables meets the regulation requirement.



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, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants 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 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 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 the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit and developing the Bank's 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 of the current period 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 Wu, Lin and Tzang, Kuo-Yang.

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2021

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the 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.

The independent auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)
CTBC BANK CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2020		2019		Change %	
	Amount	%	Amount	%		
41000	Interest income (note 6(ah) and 7)	\$ 57,393,730	70	65,422,458	75	(12)
51000	Less: Interest expenses (note 6(ah) and 7)	(16,053,050)	(19)	(25,528,720)	(29)	(37)
	Net interest income (note 6(ah))	<u>41,340,680</u>	<u>51</u>	<u>39,893,738</u>	<u>46</u>	<u>4</u>
	Net non-interest income					
49100	Service fee and commission income (note 6(ai) and 7)	32,773,767	40	31,931,917	37	3
49200	Gains on financial assets or liabilities measured at fair value through profit or loss (note 6(aj))	3,515,753	4	7,396,419	8	(52)
49310	Realized gains on financial assets measured at other comprehensive income	2,587,760	3	2,756,942	3	(6)
49450	Gains on derecognition of financial assets measured at amortized cost (note 6(c))	11,138	-	-	-	100
49600	Foreign exchange gains	1,322,854	2	965,015	1	37
49700	Reversal of impairment losses on assets	118,864	-	8,516	-	1,296
49750	Proportionate share of gains from associates or joint ventures under equity method (note 6(k))	1,392,285	2	5,970,601	7	(77)
49800	Other net non-interest income	1,283,796	1	611,621	1	110
49815	Losses on investment property	(23,624)	-	(6,140)	-	(285)
49899	Public-welfare lottery payment	(2,700,000)	(3)	(2,700,000)	(3)	-
	Net revenue	<u>81,623,273</u>	<u>100</u>	<u>86,828,629</u>	<u>100</u>	<u>(6)</u>
58200	Provision for bad debt expenses, commitment and guarantee liability provision (note 6(j))	<u>(6,150,068)</u>	<u>(8)</u>	<u>(4,514,556)</u>	<u>(5)</u>	<u>36</u>
	Operating expenses:					
58500	Employee benefits expenses (note 6(ak) and (am))	(22,321,206)	(27)	(24,389,108)	(28)	(8)
59000	Depreciation and amortization expenses (note 6(al))	(4,721,745)	(6)	(4,423,425)	(5)	7
59500	Other general and administrative expenses (note 6(an) and 7)	(16,520,107)	(20)	(16,794,033)	(19)	(2)
	Total operating expenses	<u>(43,563,058)</u>	<u>(53)</u>	<u>(45,606,566)</u>	<u>(52)</u>	<u>(4)</u>
	Net income before tax from continuing operations	<u>31,910,147</u>	<u>39</u>	<u>36,707,507</u>	<u>43</u>	<u>(13)</u>
61003	Less: Income tax expenses (note 6(ac))	<u>4,643,161</u>	<u>6</u>	<u>5,808,272</u>	<u>7</u>	<u>(20)</u>
	Net income	<u>27,266,986</u>	<u>33</u>	<u>30,899,235</u>	<u>36</u>	<u>(12)</u>
65000	Other comprehensive income:					
65200	Items that will not be reclassified subsequently to profit or loss					
65201	Remeasurement (losses) gains related to defined benefit plans	(75,963)	-	168,728	-	(145)
65205	Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	(1,176,748)	(1)	1,396,988	2	(184)
65204	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	1,017,367	1	939,146	1	8
65207	Proportionate share of other comprehensive losses from associates or joint ventures under the equity method	(1,626,147)	(2)	(59,235)	-	(2,645)
65220	Less: Income tax related to items that will not be reclassified to profit or loss	(202,030)	-	11,262	-	(1,894)
	Subtotal	<u>(1,659,461)</u>	<u>(2)</u>	<u>2,434,365</u>	<u>3</u>	<u>(168)</u>
65300	Items that are or may be reclassified subsequently to profit or loss					
65301	Exchange differences of overseas subsidiaries' financial reports translation	(3,302,390)	(4)	(542,678)	(1)	(509)
65308	Unrealized gains from investments in debt instruments measured at fair value through other comprehensive income	1,170,484	2	1,558,035	2	(25)
65307	Proportionate share of other comprehensive income from associates or joint ventures under the equity method	840,005	1	566,342	1	48
65320	Less: Income tax related to items that are or may be reclassified to profit or loss	(287,138)	-	300,161	-	(196)
	Subtotal	<u>(1,004,763)</u>	<u>(1)</u>	<u>1,281,538</u>	<u>2</u>	<u>(178)</u>
65000	Other comprehensive (losses) income (net amount after tax)	<u>(2,664,224)</u>	<u>(3)</u>	<u>3,715,903</u>	<u>5</u>	<u>(172)</u>
66000	Total comprehensive income	<u>\$ 24,602,762</u>	<u>30</u>	<u>34,615,138</u>	<u>41</u>	<u>(29)</u>
	Earnings per share (unit: NT dollars) (note 6(ag))	<u>\$ 1.84</u>		<u>2.09</u>		

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
CTBC BANK CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Capital stock		Retained earnings			Other equity interest		Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences of financial reports on overseas subsidiaries	Unrealized (losses) gains on financial assets measured at fair value through other comprehensive income	
Balance at January 1, 2019	140,685,719	29,788,688	80,855,064	21,738,657	30,439,964	(6,022,245)	(822,370)	295,738,873
Net income	-	-	-	-	30,899,235	-	-	30,899,235
Other comprehensive income (losses)	-	-	-	-	88,979	(693,833)	2,922,769	3,115,903
Total comprehensive income (losses)	-	-	-	-	30,988,214	(693,833)	2,922,769	34,615,136
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	8,904,023	-	(8,904,023)	-	-	-
Special reserve appropriated	-	-	-	148,400	(148,400)	-	-	-
Cash dividends of common share	-	-	-	-	(21,109,888)	-	-	(21,109,888)
Stock dividends of common share	3,413,035	-	-	-	(3,413,035)	-	-	-
Reversal of special reserve	-	-	-	(3,142,275)	3,142,275	-	-	-
Changes in equity of associates and joint venture accounted under equity method	-	2,773	-	-	(7,365)	-	-	(4,592)
Share-based payments	-	-	-	-	(127,171)	-	-	1,603
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	127,171	-
Balance at December 31, 2019	144,098,754	29,793,064	89,759,087	18,744,682	30,853,701	(7,315,078)	2,227,570	309,248,164
Net income	-	-	-	-	27,266,986	-	-	27,266,986
Other comprehensive income (losses)	-	-	-	-	(100,861)	(2,941,773)	1,537,085	(1,586,675)
Total comprehensive income (losses)	-	-	-	-	27,166,125	(2,941,773)	1,537,085	(1,586,675)
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	9,256,104	-	(9,256,104)	-	-	-
Cash dividends of common share	-	-	-	-	(21,614,813)	-	-	(21,614,813)
Stock dividends of common share	3,863,432	-	-	-	(3,863,432)	-	-	-
Reversal of special reserve	-	-	-	(3,880,700)	3,880,700	-	-	-
Changes in equity of associates and joint venture accounted under equity method	-	66,141	-	-	(2,410)	-	-	63,731
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(173,909)	-	173,909	-
Balance at December 31, 2020	147,962,186	29,859,205	99,015,191	14,863,982	26,989,858	(10,256,851)	3,938,564	312,299,844

Note: For the years ended December 31, 2020 and 2019, the compensations for employees were \$15,963, and \$18,824, respectively, which were deducted from the statement of comprehensive income.

See accompanying notes to financial statements.

CTBC BANK CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash Flows from Operating Activities:		
Net Income Before Tax	\$ 31,910,147	36,707,507
Adjustments:		
Income and expenses items:		
Depreciation expense	3,971,232	3,726,026
Amortization expense	778,123	709,737
Provision for expected credit loss / bad debt expenses, commitment and guarantee liability provision	6,150,068	4,514,556
Net gains on financial assets or liabilities measured at fair value through profit or loss	(6,315,559)	(2,032,868)
Interest expense	16,053,050	25,528,720
Interest income	(57,393,730)	(65,422,458)
Dividend income	(873,989)	(830,899)
Net change in other provisions	(21,310)	(128,424)
Share based payments	-	1,603
Proportionate share of gains from subsidiaries associates and joint ventures under the equity method	(1,392,285)	(5,970,601)
Losses on disposal and retirement of premises and equipment	13,982	14,247
Losses on disposal and retirement of intangible assets	1,504	16,702
Reversal of impairment losses on financial assets	(647)	(11,910)
(Reversal of) provision for impairment losses on non-financial assets	(118,217)	3,394
Other adjustments	(1,551,360)	(741,325)
Subtotal of income and expense items	<u>(40,699,138)</u>	<u>(40,623,500)</u>
Changes in Operating Assets and Liabilities:		
Net Changes in Operating Assets:		
Decrease (increase) in due from Central Bank and call loans to banks	5,241,072	(18,861,151)
Increase in financial assets measured at fair value through profit or loss	(17,819,217)	(1,099,240)
Increase in financial assets measured at fair value through other comprehensive income	(41,506,111)	(57,764,803)
Increase in investments in debt instruments at amortized cost	(87,641,214)	(100,596,036)
Decrease (increase) in hedging financial assets	314,370	(296,552)
Decrease (increase) in receivables	15,325,439	(23,394)
Increase in loans	(97,935,357)	(112,143,083)
(Increase) decrease in other financial assets	(454,534)	1,162,419
Increase in other assets	(937,021)	(4,981,680)
Net Changes in Operating Assets	<u>(225,412,573)</u>	<u>(294,603,520)</u>
Net Changes in Operating Liabilities:		
Increase (decrease) in deposits from Central Bank and other banks	4,080,116	(25,012,890)
(Decrease) increase in financial liabilities measured at fair value through profit or loss	(7,291,027)	18,014,514
Increase (decrease) in hedging financial liabilities	174,235	(146,758)
Increase in payables	4,152,565	954,837
Increase in deposits and remittances	325,425,344	246,787,704
Decrease in other financial liabilities	(961,477)	(2,371,095)
Decrease in employee benefits reserve	(163,643)	(161,359)
(Decrease) increase in other liabilities	(819,588)	2,611,078
Net Changes in Operating Liabilities	<u>324,596,525</u>	<u>240,676,031</u>
Net Changes in Operating Assets and Liabilities	<u>99,183,952</u>	<u>(53,927,489)</u>
Sum of Adjustments	<u>58,484,814</u>	<u>(94,550,989)</u>
Cash provided by (used in) Operating Activities	90,394,961	(57,843,482)
Interest received	58,321,782	64,916,226
Dividends received	1,273,773	1,508,539
Interest paid	(19,609,734)	(21,528,692)
Income taxes paid	(2,861,724)	(3,621,721)
Net Cash Flows Provided by (Used in) Operating Activities	<u>127,519,058</u>	<u>(16,569,130)</u>

(English Translation of Financial Statements Originally Issued in Chinese)

CTBC BANK CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash Flows from Investing Activities:		
Purchase of investment under equity method	\$ -	(928,593)
Increase in prepayments for investments	-	(954,169)
Purchase of premises and equipment	(908,995)	(2,438,591)
Disposal of premises and equipment	275	9,047
Purchase of intangible assets	(472,116)	(381,181)
Disposal of intangible assets	-	574
Net Cash Flows Used in Investing Activities	<u>(1,380,836)</u>	<u>(4,692,913)</u>
Cash Flows from Financing Activities:		
Increase (decrease) in due to Central bank and other banks	2,868,770	(396,555)
Issuance of financial debentures	1,000,000	-
Repayments of financial debentures	(28,927,720)	-
(Decrease) increase in securities sold under repurchase agreements	(12,553,974)	31,882,530
Payment of lease liabilities	(1,687,739)	(1,591,588)
Cash dividends paid	(21,614,813)	(21,102,858)
Interest paid	(1,708,295)	(1,711,303)
Net Cash Flows (Used in) Provided by Financing Activities	<u>(62,623,771)</u>	<u>7,080,226</u>
Increase (decrease) in Cash and Cash Equivalents	63,514,451	(14,181,817)
Cash and Cash Equivalents at the Beginning of Period	<u>149,751,661</u>	<u>163,933,478</u>
Cash and Cash Equivalents at the End of Period	<u>\$ 213,266,112</u>	<u>149,751,661</u>
Composition of Cash and Cash Equivalents:		
Cash and cash equivalents recognized in balance sheet	\$ 50,514,395	61,185,120
Due from Central Bank and call loans to bank which meet IAS 7 definition of cash and cash equivalents	160,144,007	87,714,101
Securities purchased under resell agreements which meet IAS 7 definition of cash and cash equivalents	<u>2,607,710</u>	<u>852,440</u>
Cash and Cash Equivalents at the End of Period	<u>\$ 213,266,112</u>	<u>149,751,661</u>

See accompanying notes to financial statements.



CTBC BANK
中國信託銀行