



Annual Report 2020



Bank SinoPac

Executive Offices

Address : No. 36, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)

Telephone : 886-2-2517-3336

<https://bank.sinopac.com>

Swift Address : SINOTWTP

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Office Locations

Dep. / Branch Name	Address	Telephone No.
Headquarters	No. 36, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	(02)2517-3336
Banking Division	No. 36, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	(02)2517-3336
Trust Division	No. 36, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	(02)2517-3336
International Division	No. 36, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	(02)2517-3336
Offshore Banking Unit	11F., No. 9-1, Sec. 2, Chienkuo N. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2508-2288
Sungchiang Branch	No. 192, Sungchiang Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2511-4198
Taipei Branch	No. 9-1, Sec. 2, Chienkuo N. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2508-2288
Chunglun Branch	No. 306, Sec. 2, Bade Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)8161-8000
Chungshan Branch	No. 79, Sec. 2, Chungshan N. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2537-1200
Lungchiang Branch	No. 409, Lungchiang Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2509-9395
Tehui Branch	No. 16-5, Tehui St., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2586-9918
Tungmen Branch	No. 154-1 & 156 & 158, Sec. 2, Hsinyi Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2321-6800
Nanmen Branch	No. 110, Sec. 1, Nanchang Rd., Chungcheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2391-7565
Chengchung Branch	No. 17, Poai Rd., Chungcheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2311-3940
Chinan Road Branch	No. 39, Sec. 2, Chinan Rd., Chungcheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2327-9200
Chiencheng Branch	No. 43, Changan W. Rd., Tatung District, Taipei City 103, Taiwan (R.O.C.)	(02)2558-2202
Yenping Branch	No. 286, Minsheng W. Rd., Tatung District, Taipei City 103, Taiwan (R.O.C.)	(02)2558-3148
Chungching North Road Branch	No. 139, Sec. 3, Chungching N. Rd., Tatung District, Taipei City 103, Taiwan (R.O.C.)	(02)2597-7138
Tunpei Branch	No. 209, Tunhua N. Rd., Sungshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2716-2189
Hsung Branch	No. 12, Tunghsing Rd., Sungshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2761-5998
Sungshan Branch	No. 680, Sec. 4, Bade Rd., Sungshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2765-5335
Hsimen Branch	No. 75, Chengtu Rd., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	(02)2381-8255
Wanhua Branch	No. 280, Kangting Rd., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	(02)2302-2935
Shuangyuan Branch	No. 58, Tungyuan St., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	(02)2303-8222
Shihmao Branch	No. 46, Sec. 4, Xinyi Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2700-3975
Yungchun Branch	No. 352, Yungchi Rd., Hsinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2762-2300
Sanhsing Branch	No. 296, Chuangching Rd., Hsinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2723-3935
Sungte Branch	No. 132, Sungte Rd., Hsinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2722-7800
Chunghsiao Branch	No. 1, Lane 236, Sec. 1, Tunhua S. Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)8773-9181
Tunnan Branch	No. 187, Sec. 2, Anho Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2378-9808
Xingda Branch	No. 250, Guoguang Rd., South Dist., Taichung City 402, Taiwan (R.O.C.)	(04)2285-6276
Chunghsiao E. Road Branch	No. 48, Sec. 4, Chunghsiao E. Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2776-6082
Chang An Branch	No. 39, 41, 43, 43-1, 43-2, Songjiang Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2515-1457
Hsinyi Branch	No. 252, Sec. 4, Hsinyi Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2705-8322
Jenai Branch	No. 316-2, Sec. 4, Jenai Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2325-0940
Hoping Branch	No. 260, Sec. 3, Hoping E. Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2377-6400
Tienmu Branch	No. 249, Sec. 2, Chungcheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2872-1976
Zhubei Ziqiang Branch	No. 25, 27, Ziqiang S. Rd., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	(03)550-1133
Shihlin Branch	No. 85, Sec. 4, Chengte Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2886-3982
Shihlung Branch	No. 423, Sec. 6, Chungshan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2872-6975
Shetzu Branch	No. 111, Sec. 6, Yenping N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2812-0938
Lanya Branch	No. 183, Tehsing E. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2833-7222
Peitou Branch	No. 166-6, Kuangming Rd., Peitou District, Taipei City 112, Taiwan (R.O.C.)	(02)2891-0200
Hsihu Branch	No. 412, Ruiguang Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)8797-2938
Neihu Branch	No. 723, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)2627-9820
Tunghu Branch	No. 23, Tunghu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)2634-0020
Nankang Branch	No. 19-15, Sanchong Rd., Nankang District, Taipei City 115, Taiwan (R.O.C.)	(02)2788-5265

Dep. / Branch Name	Address	Telephone No.
Hsinglung Branch	No. 49, Sec. 2, Hsinglung Rd., Wenshan District, Taipei City 116, Taiwan (R.O.C.)	(02)2930-0833
Chingmei Branch	No. 12, Chechien Rd., Wenshan District, Taipei City 116, Taiwan (R.O.C.)	(02)2933-7200
Panhsin Branch	No. 186, Minchuan Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2968-7020
East Panchiao Branch	No. 147, Sec. 2, Chungshan Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)8952-2200
Panchiao Branch	No. 23, Fuchung Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2967-1112
Panchiao Chunghsiao Branch	No. 198, Chongqing Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2955-3678
Huachiang Branch	No. 82, Hsinhai Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2257-6998
Chiangtzuotui Branch	No. 6-12, Sec. 2, Shuangshih Rd., Panchiao District, New Taipei City 22043, Taiwan (R.O.C.)	(02)8252-5198
Banqiao Minzu Branch	No. 183, Minzu Rd., Banqiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2958-9200
Hsichih Branch	No. 508~510, Sec. 2, Datong Rd., Xizhi District, New Taipei City 221, Taiwan (R.O.C.)	(02)8642-4088
Shenkeng Branch	No. 156, Sec. 3, Peishen Rd., Shenkeng District, New Taipei City 222, Taiwan (R.O.C.)	(02)2664-2626
Peihsin Branch	No. 260, Sec. 2, Peihsin Rd., Hsintien District, New Taipei City 231, Taiwan (R.O.C.)	(02)2910-6833
Hsintien Branch	No. 290, Chungcheng Rd., Hsintien District, New Taipei City 231, Taiwan (R.O.C.)	(02)2917-2202
Yungho Branch	No. 47, Sec. 2, Yungho Rd., Yungho District, New Taipei City 234, Taiwan (R.O.C.)	(02)2927-4000
Chungho Branch	No. 51, Chungcheng Rd., Yungho District, New Taipei City 234, Taiwan (R.O.C.)	(02)8668-5455
Kuangfu Branch	No. 246, Liencheng Rd., Chungho District, New Taipei City 235, Taiwan (R.O.C.)	(02)8221-8940
Chisui Branch	No. 533, Liencheng Rd., Chungho District, New Taipei City 235, Taiwan (R.O.C.)	(02)2223-9455
Hsuehfu Branch	No. 124, Sec. 1, Hsuehfu Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	(02)2266-2000
Tucheng Branch	No. 223-6, Sec. 2, Chungyang Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	(02)2260-8122
Haishan Branch	No. 200-12, Sec. 3, Chincheng Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	(02)2270-3800
Shulin Branch	No. 288, Sec. 1, Chungshan Rd., Shulin District, New Taipei City 238, Taiwan (R.O.C.)	(02)2683-8668
Huilung Branch	No. 61, Sanchun St., Shulin District, New Taipei City 238, Taiwan (R.O.C.)	(02)2688-4200
Yingke Branch	No. 212, Chienkuo Rd., Yingke District, New Taipei City 239, Taiwan (R.O.C.)	(02)2678-6000
Linkou Chunghsiao Branch	No. 403, Zhongxiao Rd., Linkou District, New Taipei City 244, Taiwan (R.O.C.)	(02)2608-8286
Taishan Branch	No. 416, Sec. 2, Mingchih Rd., Taishan District, New Taipei City 243, Taiwan (R.O.C.)	(02)2903-3940
Luchou Branch	No. 30, Sanmin Rd., Luchou District, New Taipei City 247, Taiwan (R.O.C.)	(02)2281-9086
South Luchou Branch	No. 203, Changan St., Luchou District, New Taipei City 247, Taiwan (R.O.C.)	(02)2281-9189
Sanchung Branch	No. 80, Sec. 2, Chunghsiao Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2983-3008
Kinmen Branch	No. 236, Minquan Rd., Jincheng Township, Kinmen County 893, Taiwan (R.O.C.)	(082)32-3300
Chengyi Branch	No. 343, Chengyi N. Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2981-1335
South Sanchung Branch	No. 400, Chungcheng N. Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2982-5981
North Sanchung Branch	No. 83, Sec. 4, Tzuchiang Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2985-8200
Chunghsin Branch	No. 527, Sec.5, Chunghsin Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2995-8200
Chunghsing Branch	No. 44, Hsinhsing Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2972-9860
Hsintai Branch	No. 229, Hsintai Rd., Hsinchuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2996-8208
Hsinchuang Branch	No. 341, Chungcheng Rd., Hsinchuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2201-6123
Chungkang Branch	No. 399, Chungkang Rd., Hsinchuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2992-3123
Hsisheng Branch	No. 61, Houkang 1st Rd., Hsinchuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2202-7700
Suyuan Branch	No. 540-1, Huacheng Rd., Hsinchuang District New Taipei City 242, Taiwan (R.O.C.)	(02)2996-8840
Minan Branch	No. 47, Minan E. Rd., Hsinchuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2205-8170
Wuku Branch	No. 84, Kungshang Rd., Wuku District, New Taipei City 248, Taiwan (R.O.C.)	(02)8295-7335
Chuwei Branch	No. 31-15, Mintsu Rd., Tanshui District, New Taipei City 251, Taiwan (R.O.C.)	(02)2808-7208
Keelung Branch	No. 2, Yi 1st Rd., Chungcheng District, Keelung City 202, Taiwan (R.O.C.)	(02)2423-6300
Lotung Branch	No. 205, Chungcheng Rd., Lotung Town, Yilan County 265, Taiwan (R.O.C.)	(039)553-457
Yilan Branch	No. 33, Sec. 3, Chungshan Rd., Yilan City, Yilan County 260, Taiwan (R.O.C.)	(039)328-828
Hsinchu Branch	No. 295, Sec. 2, Kuangfu Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03)572-8975
Kuanghua Branch	No. 528, Sec. 1, Jingguo Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	(03)535-6824

Dep. //Branch Name	Address	Telephone No.
Chuke Branch	No. 472, Sec. 1, Kuangfu Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03)564-5020
Dali Branch	No. 503, Dongrong Rd., Dali District, Taichung City 412, Taiwan (R.O.C.)	(04)2407-8975
Chupei Kuangming Branch	No. 87-6, Kuangming 6th Rd., Chupei City, Hsinchu County 30268, Taiwan (R.O.C.)	(03)553-0000
Taoyuan Branch	No. 51, Fuxing Rd., Taoyuan District, Taoyuan City 330, Taiwan (R.O.C.)	(03)333-9000
Chungli Branch	No. 160, Tzuhui 3rd St., Chungli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)427-8988
North Taoyuan Branch	No. 656, Chunjih Rd., Taoyuan District, Taoyuan City 330, Taiwan (R.O.C.)	(03)317-6976
Nankan Branch	No. 310, Chungcheng Rd., Luchu District, Taoyuan City 338, Taiwan (R.O.C.)	(03)321-8400
South Taoyuan Branch	No. 839, Chungshan Rd., Taoyuan District, Taoyuan City 330, Taiwan (R.O.C.)	(03)392-2700
Yangmei Branch	No. 373,375,377, Yongmei Rd., Yangmei District, Taoyuan City 326, Taiwan (R.O.C.)	(03)431-5935
Neili Branch	No. 321,323, Huanchung E. Rd., Chungli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)462-3918
Tayuan Branch	No. 102, Chungshan N. Rd., Tayuan District, Taoyuan City 337, Taiwan (R.O.C.)	(03)384-3395
Chunan Branch	No. 157, Kuangfu Rd., Chunan Town, Miaoli County 350, Taiwan (R.O.C.)	(037)47-3982
Taichung Branch	No. 101, Sec. 1, Tzuyu Rd., West District, Taichung City 403, Taiwan (R.O.C.)	(04)2220-5800
North Taichung Branch	No.368, Sec. 2, Huamei St., North District, Taichung City 404, Taiwan (R.O.C.)	(04)2293-2970
South Taichung Branch	No. 66, Sec. 2, Kungyi Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	(04)2323-1200
Chungke Branch	No. 1182, Sec. 4, Taiwan Blvd. Hsitun District, Taichung City 407, Taiwan (R.O.C.)	(04)2465-3008
Fengyuan Branch	No. 245, Chungcheng Rd., Fengyuan District, Taichung City 420, Taiwan (R.O.C.)	(04)2520-7940
Hsitun Branch	No. 41 Wenxin S.Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	(04)2473-3288
Changhua Branch	No. 317, Mintsu Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	(04)726-1998
Yuanlin Branch	No. 51, Sec. 2, Chungshan Rd., Yuanlin Town, Changhua County 510, Taiwan (R.O.C.)	(04)837-8840
Chiayi Branch	No. 338, Hsingyeh W. Rd., Chiayi City 600, Taiwan (R.O.C.)	(05)235-0175
Tainan Branch	No. 114, Sec. 2, Chienkang Rd., South District, Tainan City 702, Taiwan (R.O.C.)	(06)223-6805
East Tainan Branch	No. 163, Sec. 2, Changjung Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06)200-5566
Yungkang Branch	No. 725, Chunghua Rd., Yungkang District, Tainan City 710, Taiwan (R.O.C.)	(06)202-7280
North Tainan Branch	No. 480, Sec. 4, Hsimen Rd., North District, Tainan City 704, Taiwan (R.O.C.)	(06)282-2118
NCKU Branch	No. 1, Daxue Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06)209-6333
Sanmin Branch	No. 78, Mintsu 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)392-8988
North Kaohsiung Branch	No. 441, Yucheng Rd., Tsoying District, Kaohsiung City 813, Taiwan (R.O.C.)	(07)557-9008
Kaohsiung Branch	No. 143, Chungcheng 2nd Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)225-5080
South Kaohsiung Branch	No. 100, Chunghua 4th Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)537-9918
Lingya Branch	No. 90, Chienkuo 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)725-7187
Kangshan Branch	No. 1, Tate 1st Rd., Kangshan District, Kaohsiung City 820, Taiwan (R.O.C.)	(07)622-8224
Fengshan Branch	No. 366, Kuangyuan Rd., Fengshan District, Kaohsiung City 830, Taiwan (R.O.C.)	(07)740-9345
Pingtung Branch	No. 14, Fuhsing N. Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	(08)732-3322
Hualien Branch	No. 218-1, Linsen Rd., Hualien County 970, Taiwan (R.O.C.)	(03)833-7588
Los Angeles Branch	Wells Fargo Center-South Tower 355 South Grand Avenue, Suite 4168, Los Angeles, California, USA.	1-213-437-4800
Hong Kong Branch	26F, Central Tower, 28 Queen's Rd., Central, Hong Kong	852-2801-2801
Kowloon Branch	18F, One Peking, 1 Peking Rd., Tsim Sha Tsui, Kowloon, Hong Kong	852-3655-8688
Macau Branch	Avenida do Doutor Mario Soares, Finance and IT Center of Macao 9 andar A, Macau	853-2871-5175
Vietnam Representative Office	Daeha Business Tower, 12F No. 360 Kim Ma Street, Ba Dinh District, Hanoi Vietnam	84-24-3244-4264
Ho Chi Minh Branch	Friendship Tower, 9F, 31 Le Duan, District 1, Ho Chi Minh City, Vietnam	84-28-3822-0566

Financial Highlights

(In millions, except per share data)	2020 NT\$	2020 US\$ (Note)	2019 NT\$
For the year			
Pretax income	11,020	386.55	12,029
Net income	9,754	342.15	10,291
At year-end			
Deposits and remittances	1,659,951	58,226.79	1,388,841
Discounts and loans, net	1,140,986	40,022.84	999,554
Total assets	1,994,636	69,966.68	1,695,816
Shareholders' equity	139,666	4,899.12	133,668
Per share			
Earnings per share	1.13	0.04	1.20
Shareholders' equity per share	16.23	0.57	15.53
Dividends declared per share			
- Cash dividend	0.68555898	0.024047639	0.83447222
- Stock dividend	0.09621465	0.003374961	-

Note 1: US dollar amounts are converted for convenience only at NT\$ 28.50837 per dollar, the prevailing rate on Dec. 31, 2020.

Note 2: Using the number of the outstanding issued shares at year end as the basis to calculate the shareholder's equity per share.

Letter to Shareholders

Looking back at 2020, the COVID-19 pandemic undoubtedly was the most disruptive and impactful event in the world. To address the pandemic, countries around the world implemented a series of measures, including lockdowns, flight suspensions, border closures, and stay-at-home orders, that caused a sharp decline in exports and greatly affected domestic consumption and demand. With the goal of reducing the impact of the pandemic on the economy and financial markets, governments around the world introduced tax cuts and relief measures, while implementing emergency bond purchase programs and unlimited quantitative easing policies, in an attempt to stabilize market confidence in due course. With an abundance of liquidity, stock markets all over the world have rebounded strongly since March 2020. While the three major US stock indices reached new heights, Taiwan also benefited from supply chain transfers in the electronics industry and robust demand for home office products. In addition, the Taiwan Stock Exchange Capitalization Weighted Stock Index (TAIEX) frequently hit record highs, because of favorable views from foreign funds and the return of capital to the country from overseas Taiwanese citizens.

As far as Taiwan's real economy is concerned, the Taiwanese government did not have to implement lockdown measures because of its remarkable pandemic prevention measures, and managed to roll out the Triple Stimulus Voucher initiative to boost the economy of Taiwan. Coupled with the government's efforts to encourage Taiwanese companies abroad to return and invest in the country, as well as supply chain transfers in the electronics industry and blooming opportunities in remote business, Taiwan's economic performance was better than expected as the country recorded an economic growth of 3.11% in 2020 as the top of Asia's Four Asian Dragons.



Chairman / Chia-hsien CHEN

Going forward, we believe that 2021 will be a turning point given the resilience symbolized by the ox in the Year of the Ox. With the rollout of COVID-19 vaccinations, hopes are high for the pandemic to be brought under control, so that economic activities can gradually return to normal. Thus, the global economy is expected to record a period of positive growth of 5.5%, up from a decline of -3.5% in 2020. With robust growth in orders for electronic and communication products, exports in Taiwan are expected to continue to perform well in 2021. In terms of consumption, Taiwanese citizens are expected to shop and spend locally rather than overseas

since the ban on overseas travel has yet to be lifted. Therefore, private consumption in the country will grow significantly in the coming year. Meanwhile, as the benefits of the Three Major Programs for Investing in Taiwan continue to take shape and the government speeds up the construction of public infrastructure, domestic investments are expected to maintain their momentum and achieve an estimated growth rate of nearly 4.64% throughout 2021.

Bank SinoPac posted a consolidated net profit of NT\$9.754 billion, with earnings per share after tax of NT\$1.13 and return on equity of 7.14% in 2020. In terms of business scale, Bank SinoPac's consolidated assets totaled NT\$1.9946 trillion at the end of 2020, an increase of NT\$298.8 billion over the previous year; deposits totaled NT\$1.6568 trillion, and loans totaled NT\$1.1564 trillion, with annual growth rates of 19.47% and 14.08%, respectively, over the end of the previous year. The loan-to-deposit ratio was 69.80%. The consolidated capital adequacy ratio was 15.96%.

In terms of corporate banking, as of the end of 2020, the outstanding corporate lending balance was NT\$624.5 billion, approximately 38% of which was foreign currency lending. The volume of factoring was NT\$67.3 billion, and the volume of foreign exchange trading was US\$282.8 billion. Loans to small and medium enterprises (SMEs) amounted to NT\$224.9 billion, ranking fifth among domestic private banks. SMEs' credit guarantee funds totaled NT\$25.9 billion, ranking fifth among domestic private banks. In the future, we will continue to expand



our business territory overseas and strive to extend our service network to fully cover customers' domestic and overseas production and capital movement centers. Looking ahead to 2021, in response to the slow recovery of the global economy and the trend of supply chain reshaping, we will be committed to promoting digital transformation to expand our business scale and provide professional and complete trade finance, supply chain financing, and cross-border financing services.

In the retail financial business, at the end of 2020, the outstanding balance of mortgage loans was NT\$509.9 billion, and the outstanding balances of car loans and other secured loans were NT\$7.8 billion and NT\$2.8 billion respectively. Meanwhile, the outstanding balance of credit loans was NT\$23.7 billion, and the number of credit cards in circulation was 2,062 thousand, with an annual credit card spending amount of NT\$108.6 billion. The retail financial business strategy for 2020 was to focus on internal and external high-quality customer groups and continued to pursue the steady growth of assets and increase the value of products through various mechanisms, including product innovation, digital finance, customer group management, and risk management. Extending the business strategy of 2020, Bank SinoPac will continue to strengthen its electronic banking service and customer segmentation in 2020, using differentiated smart financial services across product lines to meet the needs of target customers and elevate customer stickiness and its overall competitive edge.

With respect to wealth management service in 2020, the outstanding balance of non-discretionary money trust investing on domestic and foreign securities under management at the end of the year totaled NT\$110.3 billion, and the total volume of sales amounted to NT\$70.2 billion. The outstanding balance of general trust business (including real estate trust, employees benefit trust, and securities trust) at the end of the year was NT\$34.5 billion. As the custodian for domestic securities/futures trust funds and with respect to various custody services, the end-of-year outstanding asset balance totaled NT\$553.8 billion, and the total premium received from the bancassurance business was NT\$28.5 billion, including NT\$1.8 billion through SinoPac Securities. Looking forward to 2021, as countries strengthen efforts in epidemic prevention and expand COVID-19 vaccination, daily activities will gradually return to normal. With the return of low base effects and consumption momentum, companies are expected to achieve two-digit growth in profits, while outlook on risky assets remains positive. Yet, market fluctuations are inevitable in the second half of 2021 as inflation rises and monetary policy returns to normal. Affected by the continuous implementation of easing monetary policies by major global economies for bailouts in response to the COVID-19 pandemic, interest rates on insurance products are expected to remain low in 2021. Coupled with six new restrictions to be imposed by the competent authority on investment products in the first quarter of 2021, an uphill battle awaits the bancassurance market in 2021. The dynamic adjustment of investment portfolios will be a key factor in wealth management service.



President / Eric CHUANG

With respect to financial markets, Bank SinoPac provides customers multi-currency investment, a diversified range of tools for financial hedging, and comprehensive financial operations planning. In addition, Bank SinoPac actively participated in a wide array of financial instruments in Taiwan and other Asia markets. Bank SinoPac's well-established and comprehensive platforms for foreign exchange, interest rate products, equity securities, and derivatives thereof make it one of the key market makers among banks in the Asia-Pacific region. Meanwhile, Bank SinoPac actively pushed for organization-wide digital transformation, builds program trading and AI modules, and develops its core digital capabilities in a wide range of financial market operations and financial engineering. To sum up its outstanding performance in various businesses, Bank SinoPac was honored with a series of awards in 2020, including five FX trading-related awards from internationally renowned institution Refinitiv, including the "Trading Innovation Award," "Top CNH (SPOT) Entity," "Top CNH (SPOT)

Trader," "Top Asian NDF Entity," and "Top Asian NDF Trader"; the "Best Bank for Investment Solutions, FX" from The Asset magazine; The "Futures Market Promotion Diamond Award" from Taipei Futures Exchange for the third consecutive year; as well as the "Top Investment House in Asian Local Currency Bonds for 2020 - Highly Commended" in Taiwan and "Best Formosa Bond-Corporate" in the Sustainable Capital Markets Country & Regional Awards 2020 from The Asset magazine, highlighting the recognition Bank SinoPac has earned for its professionalism and devotion to financial products and services.

Bank SinoPac has 125 domestic branches, including 83 in the Greater Taipei Area, as well as major service outlets in Central, Southern, and Eastern Taiwan, as well as Kinmen. Bank SinoPac has also established a powerful and comprehensive overseas service network consisting of 11 locations, including branches in Hong Kong, Kowloon, Macau, Los Angeles, and Ho Chi Minh City, as well as the Vietnam Representative Office in Hanoi, along with Bank SinoPac (China), headquartered in Nanjing with 4 branches in Shanghai, Guangzhou, Chengdu, and Nanjing.

The international debt/credit ratings of Bank SinoPac in 2020 were as follows: (1) Standard & Poor's: BBB+ for long-term and A-2 for short-term, indicating a stable outlook; Taiwan Ratings: twAA- for long-term and twA-1+ for short-term, indicating a stable outlook; (3) Fitch: long-term international BBB+, short-term international F2, long-term domestic AA-(twn), and short-term domestic F1+(twn), indicating a stable outlook.

Bank SinoPac leverages three main core capabilities to put environmental, social and governance (ESG) principles into practice. First, Bank SinoPac supports eco/society-friendly industries by giving credits. Secondly, Bank SinoPac issues sustainable bonds and green bonds to improve social efficiency. Finally, Bank SinoPac focuses on investing green financial products such as ESG corporate bonds and green bonds. Until now, Bank SinoPac has been accumulating over NT\$ 100 billion as the momentum to step towards achieving corporate sustainable development.

In response to information science trends and the need for innovation in FinTech development, Bank SinoPac continues to integrate data and build core intelligence networks to keep abreast of business trends and facilitate instantaneous decision-making. Through diversified business operations, integrated platforms, and financial innovation in Taiwan, Hong Kong, Macau, China, the US, and Southeast Asia, Bank SinoPac has connected the physical and virtual worlds seamlessly to provide the most complete and convenient access to cash flows, as well as investment and financing solutions, to create a brand-new banking experience for customers.

Meanwhile, SinoPac Bank is dedicated to making Taiwan's culture and beauty more visible. For seven consecutive years, Bank SinoPac has been the title sponsor of the Simple Life Festival, the purpose of which is to encourage participants to "do what they love and make it worthy." Bank SinoPac created digital banking experiences at the festival to deliver the message that "banking is simple" and to help young people achieve their dream of becoming entrepreneurs. For seven years in a row, Bank SinoPac has also sponsored SinoPac Legacy Taipei, a music performance venue located in Huashan 1914 Creative Park, providing a stage for young performers to realize their dreams. It also sponsored the NCCU Griffins for two years in a row to support students' passion for sports and enable them to be able to realize their dreams on the court. Furthermore, it has sponsored the "Art and Enterprise—The Overview of Outreach Aesthetic Education Project" launched by the National Kaohsiung Center for the Arts for two consecutive years, bringing children into an international art venue to experience the beauty and knowledge beyond textbooks, while guiding children to understand the language and knowledge of financial management through the humorous performances by financial management volunteers and interactions in the program, so that they could gradually save funds for their dreams and future. Moreover, Bank SinoPac has sponsored the Taipei Children's Arts Festival organized by the Department of Cultural Affairs of the Taipei City Government for 13 consecutive years. Bank SinoPac has continued to give children places full of happiness and imagination. Not only did this transmit the message of the need to work hard to make art a part of one's life from an early age, but it also strongly supported local art performances in hopes of making Taiwan a better place through art.



Bank SinoPac's investment in all aspects of economy, society, and environment has been highly recognized by all walks of life and honored with several awards. In 2020, it won the "Excellence Award for Total Amount of Bank SinoPac's investment in all aspects of economy, society, and environment has been highly recognized by all walks of life and honored with several awards. In 2020, it won the "Excellence Award for Total Amount of Financing Guaranteed" and the "Excellence Award for Growth of Financing Amount in Countries under the New Southbound Policy" from the Overseas Credit Guarantee Fund (Taiwan). It also joined hands with customers to promote green energy and build sustainable homes and, thus, won the "Best Green Finance Innovation Award" from the Excellence magazine and the "Best Financial Service Provider Award" in the Top Solar System Awards hosted by the Bureau of Energy, Ministry of Economic Affairs (R.O.C.). In addition, the Financial Supervisory Commission (FSC) awarded it the "Outstanding Bank for Loans in Key Startup Industries-Excellent Bank," "Special Award for Circular Economy Sectors," and "Special Award for Renewable Energy Sectors." Since Bank SinoPac continued to adopt technology and innovate financial services, it was awarded the "Best Digital Finance Award" in the 10th Taiwan Banking and Finance Best Practice Awards hosted by the Taiwan Academy of Banking and Finance; the "Best Retail Payment Project Award in Taiwan" and "Best ATM Project Award in Taiwan" by The Asset magazine; meanwhile, it won the "Taiwan Domestic Technology & Operations Bank of the Year" from the Asian Banking & Finance magazine; the "Best IoT Initiative" from The Asian Banker; the "Best Digital Finance Award for Domestic Banks" and the "Best Digital Account - Quality Bank Award" from the Wealth magazine; and the "Star of Internet Word-of-Mouth 2020 - Outstanding Popularity Award" from the Daily View website. In addition, it brought home both "eACH Payment Service Promotion Award" and "eACH Collection Service Promotion Award" presented by the Taiwan Clearing House.

In addition to its continuous innovation of products, Bank SinoPac's financial expertise and the improvement of service quality have been recognized, and it was awarded the "Excellent Market Maker for Central Government Bonds" in the first half of 2020 and the runner-up of the "NTD Interest Rate Swap Trading Platform Competition" by Taipei Exchange in 2020; the "Best Service Quality Award" from the Excellence magazine; the "Service Innovation of the Year in Taiwan" and the "Marketing & Brand Initiative of the Year in Taiwan" from the Asian Banking & Finance magazine; and the "Best of Wealth Added Award for Domestic Banks" and the "Best of Creative Marketing (Print) Award" from the Wealth magazine.

Bank SinoPac's endeavor of combining services and corporate social responsibility (CSR) is widely-recognized. Enterprise Asia also presented the "Investment in People Award" and the "Social Empowerment Award" at the Asia Responsible Enterprise Awards 2020 to Bank SinoPac; Environmental Protection Administration, Executive Yuan, awarded the "Outstanding Unit with Excellent Performance in Green Procurement" to the Bank. It was also commended by the FSC as one of the financial institutions with active engagement in the "Promotion of Financial Knowledge in Campuses and Communities", while the Sports Administration, Ministry of Education (R.O.C.) presented the "Exercise Enterprise Badge Award".

Looking ahead, the business banking environment remains challenging. Bank SinoPac remains committed to cultivating local customer-oriented services and continues to invest in human, organizational, and intellectual capital for innovation; to move toward the vision of "making life beautiful through finance, and providing a flexible, robust brand for total customer financial solutions"; and to make Bank SinoPac the leading brand among Chinese-speaking financial institutions.

Chairman
Chia-hsien CHEN

President
Eric CHUANG



• Corporate Profile •

I. Introduction

Bank SinoPac is a wholly owned subsidiary of SinoPac Holdings Co., Ltd. (SinoPac Holdings) and was created in the merger of equals between Bank SinoPac under SinoPac Holdings and International Bank of Taipei on November 13, 2006. Bank SinoPac provides the best financial services to its customers with a comprehensive business network and highly innovative product lines. The Bank is striving to realize the vision of "making life beautiful through finance, and providing a flexible, robust brand for total customer financial solutions", to make Bank SinoPac the leading brand among Chinese-speaking financial institutions.

Taipei Mutual Loans and Savings Co. was inaugurated on May 4, 1948. It was restructured into Taipei Business Bank in 1978, then upgraded to a commercial bank named International Bank of Taipei on May 14, 1998. Over decades of development, International Bank of Taipei focused on serving SMEs and secured a solid customer base. International Bank of Taipei was merged with SinoPac Holdings through a share swap, officially becoming a wholly owned subsidiary of SinoPac Holdings on December 26, 2005.

Since its inception on January 28, 1992, Bank SinoPac has been committed to financial product innovation and service integration. On May 9, 2002, Bank SinoPac, through a share swap, merged with SinoPac Securities, and SinoPac Securities Co., Ltd., forming SinoPac Holdings. On June 20, 2002, Bank SinoPac was made a wholly owned subsidiary of SinoPac Holdings.

SinoPac Holdings changed its Chinese name to "Yongfeng Holdings" on July 20, 2006. To integrate banking resources and optimize economies of scale, Bank SinoPac and International Bank of Taipei were merged on November 13, 2006, with the former being the surviving entity. Bank SinoPac subsequently made adjustments to its strategy and strengthened its organization, with the goal of promoting a flat organization and a cost reduction plan, to enhance operational efficiency and improve cost-expense structures.

As part of the group's organizational restructuring and adjustment to investment portfolios, on March 13, 2009, Bank SinoPac completed the dissolution and liquidation of SinoPac Financial Consulting Co. On June 1, 2009, Bank SinoPac acquired SinoPac Card Services, another wholly owned subsidiary of SinoPac Holdings, by paying consideration in cash. The merger and acquisition proved effective in raising the capital adequacy ratio, integrating the group's resources, and enhancing overall performance. Without undermining shareholders' interests, Bank SinoPac sold its stake in SinoPac Leasing to SinoPac Holdings on December 3, 2009, in an effort to help the SinoPac Group maximize the function of its assets in enhancing overall management efficiency.

Headquartered in Nanjing, Bank SinoPac (China) officially launched business in 2014. It currently has branches in Shanghai, Guangzhou, and Chengdu, and Nanjing, respectively (four in total), providing wide range of financial services to both enterprises and individuals.

To enhance the capital adequacy ratio, Bank SinoPac issued NT\$15 billion in subordinated bank debentures in 2020, plus NT\$1 billion in senior unsecured bank debentures (sustainability bonds) in response to the government's sustainable financial policy, making the total at NT\$16 billion. As of the end of 2020, Bank SinoPac and its subsidiaries had 6,312 employees; their paid-in capital reached NT\$86.1 billion and assets amounted to



NT\$1.9946 trillion. Bank SinoPac has 22 divisions and one office. In addition to 125 domestic branches (including the Department of Business) and an Offshore Banking Unit, Bank SinoPac has multiple overseas branches, including branches in Hong Kong, Kowloon, Macau, Los Angeles, and Ho Chi Minh City, as well as a Vietnam Representative Office. Bank SinoPac has also invested in subsidiaries, including SinoPac Capital (Hong Kong) and Bank SinoPac (China), offering customers a full range of financial services through professional division of labor and diversified channels.

General Corporate Data

December 31, 2020

Date of incorporation:	January 28, 1992
Date of listing on Taiwan Stock Exchange:	June 29, 1998
Re-listing date of SinoPac Holdings:	May 9, 2002
Total shareholders' equity:	NT\$139,666 million
Paid-in capital:	NT\$86,061 million
Number of shares issued:	8,606.1 million
Number of employees:	6,312
Auditor:	Deloitte & Touche
S&P Ratings (Aug. 19, 2020)	
Long-term issuer credit rating:	BBB+
Short-term issuer credit rating:	A-2
Rating outlook:	Stable
Fitch Ratings (Nov. 19, 2020)	
Long-term issuer default rating:	BBB+
Short-term issuer default rating:	F2
Rating outlook:	Stable
Taiwan Ratings (Aug. 19, 2020)	
Long-term issuer credit rating:	twAA-
Short-term issuer credit rating:	twA-1+
Rating outlook:	Stable

II. Awards & Honors

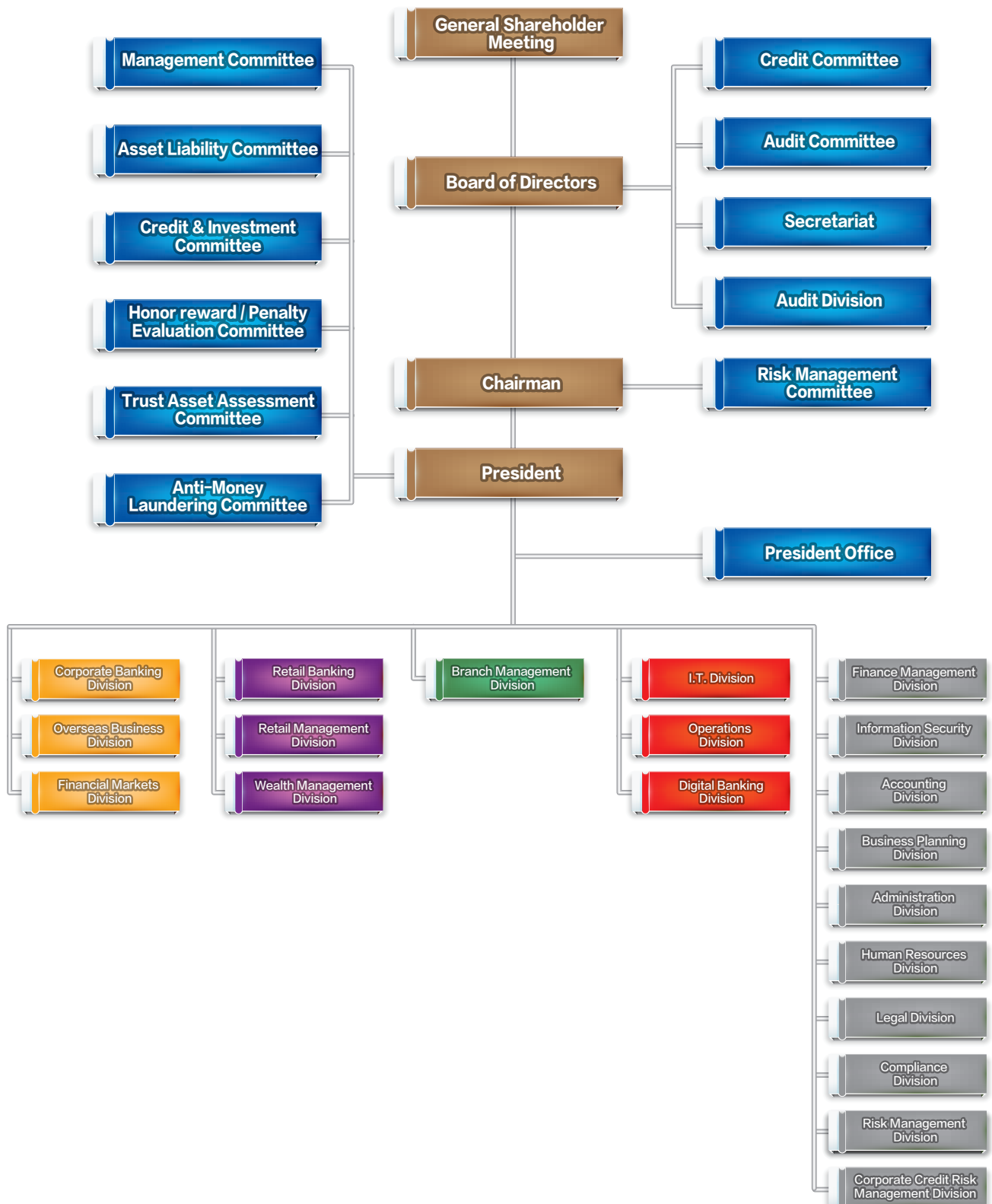
Sustainable Development	<ul style="list-style-type: none"> • 《Enterprise Asia》 Social Empowerment Award and Investment in People Award in the Asia Responsible Enterprise Awards 2020
	<ul style="list-style-type: none"> • 《Bureau of Energy, Ministry of Economic Affairs (R.O.C.)》 The only bank in the financial industry to receive the Best Financial Service Provider Award in the Top Solar System Awards for five consecutive years.
	<ul style="list-style-type: none"> • 《Financial Supervisory Commission》 Outstanding Bank for Loans in Key Startup Industries, Excellent Bank, Special Award for Circular Economy Sectors, and Special Award for Renewable Energy Sectors
	<ul style="list-style-type: none"> • 《Excellence》 Best Green Finance Innovation Award in the 2020 Excellent Bank Ratings
	<ul style="list-style-type: none"> • 《Sports Administration, Ministry of Education (R.O.C.)》 Exercise Enterprise Certification Award in 2020
	<ul style="list-style-type: none"> • 《Health Promotion Administration, Ministry of Health and Welfare》 Badge of Accredited Healthy Workplace
Comprehensive Achievements	<ul style="list-style-type: none"> • 《Environmental Protection Administration, Executive Yuan (R.O.C.)》 Outstanding Green Procurement Award in 2020
	<ul style="list-style-type: none"> • 《Financial Supervisory Commission》 As one of the financial institutions with active engagement in the Promotion of Financial Knowledge in Campuses and Communities
	<ul style="list-style-type: none"> • 《Overseas Credit Guarantee Fund (Taiwan)》 Excellence Award for Total Amount of Financing Guaranteed and Excellence Award for Growth of Financing Amount in Countries under the New Southbound Policy in 2019
	<ul style="list-style-type: none"> • 《Small & Medium Enterprise Credit Guarantee Fund of Taiwan》 Outstanding Performance Award in Collections from Guaranteed Loans
Digital Technology and Innovation	<ul style="list-style-type: none"> • 《Excellence》 Best Service Quality Award in the 2020 Excellent Bank Ratings
	<ul style="list-style-type: none"> • 《Taiwan Academy of Banking and Finance》 Best Digital Finance Award in the 10th Taiwan Banking and Finance Best Practice Awards
	<ul style="list-style-type: none"> • 《The Asset》 Best Retail Payment Project Award and Best ATM Project Award in Taiwan in the Triple A Digital Awards
	<ul style="list-style-type: none"> • 《Asian Banking & Finance Magazine》 Marketing & Brand Initiative of the Year in Taiwan - DAWHO, Taiwan Domestic Technology & Operations Bank of the Year - NCKU Branch, and Service Innovation of the Year in Taiwan - Cardless Withdrawal for Enterprises
	<ul style="list-style-type: none"> • 《The Asian Banker》 Best IoT Initiative - Bank SinoPac's SPORT Card
	<ul style="list-style-type: none"> • 《Global Views Monthly》 Best Banks in FinTech Services 2020 - Outstanding Award
	<ul style="list-style-type: none"> • 《Wealth Magazine》 Best Digital Account Bank Award in the 2020 Taiwan Financial Awards
	<ul style="list-style-type: none"> • 《Daily View》 Star of Internet Word-of-Mouth 2020 - Outstanding Popularity Award
Capital Markets and Financial Trading	<ul style="list-style-type: none"> • 《Taiwan Clearing House》 eACH Service Promotion Award and eACH Collection Service Promotion Award in the 2019 Awards and Competition for the Promotion of Automated Clearing House (ACH) and Enhanced Financial Collection Service (eFCS) Platform Among Financial Institutions
	<ul style="list-style-type: none"> • 《Taiwan Futures Exchange》 Futures Market Promotion Diamond Award and First Place in the Futures Trading Diamond Award for Managed Futures Enterprises in the 6th Futures Diamond Award
	<ul style="list-style-type: none"> • 《Global Banking & Finance Review》 Best Investment Bank - Taiwan 2020
	<ul style="list-style-type: none"> • 《The Asset》 Best Bank for Investment Solutions, FX in The Triple A Private Capital Awards for Private Banks, Wealth & Investment Advisers, Solutions and Index Providers 2020
	<ul style="list-style-type: none"> • 《The Asset》 Top Investment House in Asian Local Currency Bonds for 2020 - Highly Commended and Most Astute Investor - Rank 8 in The Asset Benchmark Research Awards 2020
	<ul style="list-style-type: none"> • 《Refinitiv》 Top CNH (SPOT) Entity, Trading Innovation Award, Top Asian NDF Entity, Top Asian NDF Trader, and Top CNH (SPOT) Trader in Taiwan in 2019
	<ul style="list-style-type: none"> • 《Taipei Exchange》 Excellent Market Maker for Central Government Bonds in the first half of 2020 and the runner-up of the NTD Interest Rate Swap Trading Platform Competition
Wealth Management	<ul style="list-style-type: none"> • 《The Asset》 Best Formosa Bond - Corporate in the Sustainable Capital Markets Country & Regional Awards 2020
	<ul style="list-style-type: none"> • 《Wealth Magazine》 Best of Wealth Added Award for Domestic Banks, Best of Digital Finance Award for Domestic Banks and Best of Creative Marketing (Print) Award in the 2020 Wealth Management Awards



III. Organization

(I) Organization Chart

December 31, 2020



(II) Board of Directors

February 28, 2021

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term (Year)	First Elected	Shares Owned when Elected		Shares Owned Currently		Shares Owned by Spouse & Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Positions Held Concurrently	Related to Directors and Supervisors		
							No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Relationship
Chairman	R.O.C.	Chia-hsien CHEN	Male	2019/07/01	3	2016/11/25	Note1	Note1	—	—	—	—	—	—	Chairman of SinoPac Call Center Co., Ltd. Director, SinoPac Holdings President, SinoPac Holdings Director, International Bank of Taipei MBA, University of Virginia	—	None	None	None
Director	R.O.C.	Shi-kuan CHEN	Female	2020/05/13	2.2	2020/05/13	Note1	Note1	—	—	—	—	—	—	President, Chung-Hua Institution for Economic Research Professor, Department of International Business, National Taiwan University Independent Director, DBS Bank (Taiwan) Ltd. Director, Mega Financial Holding Co., Ltd. Supervisor, Mega International Commercial Bank Co., Ltd. Ph.D. in Economics, Yale University, USA	Chairman of SinoPac Holdings Director, Central Bank of the Republic of China (Taiwan) Executive Director, Taiwan Independent Director Association Director, Dr. John C.H. Fei Memorial Foundation Director, Academy of Promoting Economic Legislation Director, Chun Ti Ching Hsin Foundation Executive Director, Taiwan Economic Association Executive Director, Taiwan Share Association	None	None	None
Director	R.O.C.	Stanley CHU	Male	2019/07/01	3	2018/05/01	Note1	Note1	—	—	—	—	—	—	Chairman, Cathay Securities Corporation Spokesman and Senior Executive Vice President, Taiwan Stock Exchange Corporation Senior Executive Vice President, Taiwan Futures Exchange EMBA, National Taiwan University	Director and President, SinoPac Holdings Chairman, SinoPac Securities Corp. Director, Taiwan Stock Exchange Corporation Director, National Performing Arts Center	None	None	None
Director	R.O.C.	Wei-thyr TSAO	Male	2019/07/01	3	2018/05/01	Note1	Note1	—	—	—	—	—	—	Senior Consultant of Taipei Fubon Commercial Bank Co., Ltd. Managing Director, Acting President in Taiwan, and Head of Global Finance and Risk Solutions for Greater China, Barclays Capital Asia Ltd. Managing Director, Morgan Stanley Asia Ltd. Executive Vice President and Head of Group Fixed Income, China Development Financial Holding Co. MBA, National Taiwan University Bachelor of Power Mechanical Engineering, National Tsing Hua University	Director, SinoPac Holdings Director, China Everbright Greentech Limited Director, Five-Resource Co., Ltd. Director, Chien-Shih Management Consulting Co., Ltd. Director, Gramgold coin Collaboration Ltd. (BVI) Director, Talent Pool Ltd. (Samoa)	None	None	None
Director	R.O.C.	Ming-ming CHONG	Male	2019/07/01	3	2016/11/25	Note1	Note1	—	—	—	—	—	—	Chairman, SinoPac Leasing Corp. Director of SinoPac Holdings Director, SinoPac International Leasing Corp. Director, SinoPac Leasing (Tianjin) Co., Ltd. MBA, National Chengchi University	Chairman, Bank SinoPac (China) Ltd.	None	None	None
Director	R.O.C.	Eric CHUANG	Male	2019/07/01	3	2018/04/01	Note1	Note1	—	—	—	—	—	—	Chief Investment officer & Chief Financial officer & Chief Operations officer & Spokesperson, SinoPac Holdings President, SinoPac Securities Corp. Senior Vice President, China Development Industrial Bank EMBA of China Europe International Business School	President, Bank SinoPac Director, Bank SinoPac (China) Ltd. Director, Taipei Forex Inc.	None	None	None



Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term (Year)	First Elected	Shares Owned when Elected		Shares Owned Currently		Shares Owned by Spouse & Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Positions Held Concurrently	Related to Directors and Supervisors		
							No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Relationship
Independent Director	R.O.C.	Yu-fen LIN	Female	2019/07/01	3	2017/08/25	Note1	Note1	—	—	—	—	—	—	Corporate Lawyer, Lee and Li Attorneys-At-Law National Taiwan University with the double degree of LL.B. and B.A.	Managing Partner, Lex & Honor Law Offices Independent Director, Chunghwa Telecom Co., Ltd. Independent Director, ShareHope Medicine Co., Ltd. Director, Taiwanese Society of International Law etc.	None	None	None
Independent Director	R.O.C.	Chih-cheng SU	Male	2019/07/01	3	2019/07/01	Note1	Note1	—	—	—	—	—	—	CPA, YHC & CO., CPAs Executive Director, SOCIETE GENERALE, TAIPEI BRANCH Independent Director, Ralink Technology, Corp. Independent Director, Chunghwa Precision Test Tech. Co., Ltd. MBA, Rutgers University, The State University of New Jersey B.S., Department of Mechanical Engineering, National Taiwan University	Partner, Elite YC & Co., CPAs Chairman, Rotaract Club of Taipei Taoyuan	None	None	None
Independent Director	R.O.C.	Chao-hsiang CHU	Male	2019/07/01	3	2019/07/01	Note1	Note1	—	—	—	—	—	—	Graduate chair / Professor, Institute of Political Science, National Taiwan Normal University Director, The Department of Civil Servant Development, Taipei City Government Ph.D., Graduate Institute of Social Sciences and Humanities, National Chengchi University Master of LL.B., National Taiwan University	Director, Taipei City Hang-An Seniors' Home Multiple Long-Term Care Services etc.	None	None	None

Note1: All directors are legal representatives of SinoPac Holdings.

Note2: Bank SinoPac's Chairman and President or personnel with equivalent position (chief manager) are not the same person, spouses or relatives within one degree of kinship.

(III) Executive Officers

February 28, 2021

● Eric CHUANG President
● Jenny HUANG Senior Executive Vice President & Chief Secretary & Company Secretary
● Chien-fa CHUANG Senior Executive Vice President
● Chia-hsing CHEN Senior Executive Vice President
● Benjamin TIEN Senior Executive Vice President
● Brian LIN Senior Executive Vice President & Regional General Manager
● I-chun KUAN Senior Executive Vice President & Head of Corporate Credit Risk Management Division
● Benjamin LIN Senior Executive Vice President & Head of President Office & Acting Spokesperson
● Stephen OUYANG Senior Executive Vice President
● Robert TSAI Senior Executive Vice President & Head of Information Technology Division
● Joe LIN Senior Executive Vice President & Head of Risk Management Division
● Alton WANG Senior Executive Vice President & Head of Overseas Business Division
● Chia-hung LIAO Senior Executive Vice President & Head of Human Resources Division
● King HO Senior Executive Vice President & Head of Administration Division
● Jeffrey C.C. HUANG Senior Executive Vice President & Head of Financial Markets Division
● Sean LEE Senior Executive Vice President & Head of Information Security Division
● Jih-tien CHEN Chief Auditor
● Josephine CHEN Executive Vice President & Chief Compliance Officer and Head of Compliance Division
● Shun-hsing LIAO Executive Vice President & Head of Legal Division
● Tien-hao CHANG Executive Vice President

IV. Human Resources

Employee Statistics

February 28, 2021

Items	2021/2/28	2020	2019
Number of staff	6,070	6,018	5,753
Average age	41.3	41.1	40.47
Average seniority	12.6	12.5	12.12
Education			
Ph.D. degree	0.13%	0.10%	0.12%
Master's degree	19.51%	19.39%	18.29%
University and college	74.64%	74.99%	75.80%
Junior college & others	5.72%	5.52%	5.79%
Total	100%	100%	100%



Economic and Financial Review

I. Global Overview

(I) Situation Concerning Regions of Main Products (Services) Sold (Provided) in the Financial Market

The main regions where Bank SinoPac provides services include Taiwan, the U.S., Mainland China, Hong Kong, Macao, and Vietnam. The economic situation in each region is separately stated below:

A. Taiwan

Looking back on 2020, the signing of the Phase 1 trade deal between the U.S. and China at the beginning of the year helped relieve market anxiety and boost end-market demand. With the emergence of business opportunities in 5G communications and AI, manufacturers continued to increase their capacity allocation in Taiwan. Moreover, the government's "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" started to show results while the construction of forward-looking infrastructure was accelerated. Thanks to both internal and external momentum, Taiwan's economy grew by 2.51% in the first quarter of 2020. However, the continuous spread of the COVID- 19 outbreak from China to the rest of the world hit the global economy hard. Downward revisions in global economic growth in 2020 by major international institutions aggravated the impact of the COVID-19 pandemic on global trade, investment, and consumption. Taiwan was not spared too as its GDP dropped by 0.35% in the second quarter of 2020. With the pandemic driving strong demand for emerging technology applications and remote business opportunities, the continuous launch of new consumer electronic products, and the stock-up effect before the U.S.'s ban on Chinese companies came into effect, Taiwan's production, sales, and export indicators continued to rise. Moreover, turnover in retail and food and beverage businesses was also driven by the stimulus measures implemented by the government. Hence, Taiwan's economy grew remarkably by 4.26% in the third quarter of 2020. In actuality, Taiwan's economy grew much more by 5.09% in the fourth quarter of 2020, and by 3.11% throughout the year.

According to data provided by IHS Markit, global economic growth is expected to decline to -3.5% in 2020 and then rebound to 5.5% in 2021 due to low base effects if COVID-19 infections rise sharply between November 2020 and January 2021; effective vaccines are generally available in the third quarter of 2021; as well as Europe and the U.S. reimpose control measures due to the return of the outbreak. External demand-wise, IMF estimated that global trade volume will grow by 8.1% in 2021. Booming demand for technology applications, global supply chain restructuring, ongoing expansion of production lines by manufacturers in Taiwan, and continued development of advanced production capacity by domestic semiconductor manufacturers are expected to inject fresh momentum into exports from Taiwan. As for domestic demand, private consumption will continue to improve as Taiwan's economy continues to grow steadily with relatively low base effects, while the semiconductor industry carries on investing in the world's top advanced manufacturing processes. Moreover, investment activities, including the construction of green energy facilities such as offshore wind farms and solar PVs, the reconstruction of old buildings, and urban renewal projects, are also being implemented vigorously. All these are expected to support momentum in investments. According to DGBAS estimates, Taiwan's economy is expected grow by 4.64% throughout 2021, as well as by 6.20%, 7.16%, 3.19%, and 2.44% from the first quarter to the fourth quarter of the year, respectively.

In terms of consumer price index (CPI), the COVID-19 pandemic severely affected the tourism and hospitality industry and led to a significant fall in education, leisure and entertainment expenditures. Negative growth in the global economy and negative crude oil prices also dragged down prices in transportation and communications. As a result, CPI declined by 1.21% in May 2020, the lowest since December 2009. Thanks to outstanding handling of the pandemic, the Taiwanese government gradually relaxed epidemic prevention measures, and the public increased spending and started traveling more frequently thereafter. The government also rolled out a series of bailout measures and expanded travel discounts through safe travel initiatives. Consequently, the decline in CPI continued to shrink, leading to a negative growth of 0.23% in CPI throughout 2020. Despite recurring COVID-19 outbreaks around the world, the global economy is expected to depart from negative growth in 2021 after the rollout of COVID-19 vaccines. The resumption of economic activities will improve international demand and a slight increase in basic wages is expected; however, the impact of these expected improvements will not be significant. DGBAS forecast CPI to slightly increase by 1.33% in 2021.

As far as interest rates are concerned, the spread of the COVID-19 pandemic led to a sharp decline in the global economic outlook and caused huge volatility in international financial markets at the beginning of 2020. Taiwan's manufacturing industry was severely impacted by disruptions in the global supply chain during the course of the pandemic, while some service industries struggled due to shrinking consumption. In particular, SMEs may have faced operating difficulties due to limited financing, thus further impacting the employment market. In order to help companies run their businesses normally and consider the impact of substantial capital movement on financial stability, the Central Bank of Taiwan decided to cut interest rates by 25 basis points to a record low of 1.125% during its Board of Directors' meeting in the first quarter of 2020, and launched a SME financing mechanism totaling NT\$200 billion to assist SMEs in overcoming the difficulties they faced and stabilize the household sector and corporate confidence, so as to maintain the smooth operation of economic activities. As major economies successively introduced large-scale fiscal incentives and eased monetary policies, the global economy gradually recovered from recession while crude oil prices stabilized and inflation rebounded. Thanks to fine handling of the pandemic in Taiwan, the government's expansionary fiscal policy and the Central Bank's easing monetary policy gradually came into effect. While Taiwan achieved outstanding performance in terms of economic growth, the Central Bank of Taiwan kept interest rate unchanged at 1.125% for three consecutive quarters. Looking forward to 2021, Taiwan's economy will continue to grow steadily while inflation is expected to be moderate. Most Fed officials believe that the zero-interest-rate policy will stay until the end of 2023. With the gradual recovery of the global economy after the rollout of COVID-19 vaccines, Taiwan's extremely robust fundamentals, a relative stable COVID-19 situation, and plentiful capital in the market, House View expects the Central Bank of Taiwan to do nothing and preserve policy space till the end of 2021.

B. Mainland China, Hong Kong, and Macao

AS the COVID-19 outbreak spread from Wuhan to other provinces and cities, China's economic performance in 2020 was hit hard by strict lockdown measures imposed by the government. In the first quarter of 2020, China experienced a GDP growth of -6.8%, the first negative growth ever recorded since 1992 when data were available. With the effective control of the outbreak, no efforts have been spared in restoring production to



full capacity. With the rollout of subsequent tax cuts and fee reduction and a RMB9 million stimulus, along with various bailout measures, economic activities in China gradually rebounded and approached pre-pandemic levels. China's GDP grew by 3.2%, 4.9%, and 6.5% from the second quarter to the fourth quarter of 2020, respectively, while the country's GDP growth for 2020 was 2.3%, making it one of the very few countries in the world to record positive GDP growth. Having said that, the COVID-19 pandemic led to uneven recovery in the country's economic structure. With the disruption of the multinational supply chain as the pandemic raged on throughout the world, China's complete and sizeable industrial chain dominated global demand. China's exports and production grew by 3.6% and 2.8%, respectively, becoming the first pillar of growth for the country. Meanwhile, China's policy-supported real estate and infrastructure investments grew by 7.0% and 0.9%, respectively, serving as the second pillar of growth for China. Nonetheless, China adopted a conservative policy stimulus compared to Western countries as recovery in private investments and consumption lagged behind the country's overall performance while fixed urban investment and social retail sales grew by 2.9% and -3.9% throughout 2020, respectively. In Hong Kong, the tourism, food and beverage, retail, and financial industries were severely affected by the COVID-19 pandemic, along with rising U.S.-China tensions, China's push for the national security law in Hong Kong, and heightened street demonstrations. For the entire year, Hong Kong saw a 99.8% decline in international travelers, a 24% fall in retail sales, and a 6.1% decrease in GDP throughout the year, thus recording negative GDP growth for two consecutive years. Despite Macau's outstanding performance in preventing the COVID-19 outbreak, China's strict border measures and a sharp decline in foreign tourists resulted in a 65.8% decline in Macau's gaming revenue, leading to a 60.9% decrease in Macau's GDP for 2020.

As the unpredictable COVID-19 pandemic persists and U.S.-China tensions continue to spill over into technology, China will rely on its own strength to reach herd immunity via vaccination and overcome the problem of "throat-squeezing" technologies while improving the operating environment of its service industries and increasing high-tech investments. In addition, 2021 will be the first year of China's 14th Five-Year Plan which emphasizes dual circulation with a focus on domestic demand. Hence, China is expected to implement a fiscal policy that prioritizes efforts to boost private investments and consumption which have lagged behind its economic growth, as well as a monetary policy that is in no hurry to withdraw stimulus. China will maintain appropriate liquidity and credit measures to support economic growth. It is estimated that China will achieve a GDP growth of 8.9% in 2021. Despite high uncertainties in the international tourism market, both Hong Kong and Macau continue to experience economic recovery and are highly likely to achieve positive economic growth due to China's strong domestic demand and collaboration between the Chinese Central Government and both special administrative region governments. Hong Kong is poised to end two consecutive years of economic decline by achieving an estimated GDP growth of 4.0% to 5.0%. On the other hand, the Macau government expects visitors from Mainland China and Hong Kong to rebound to 14 million people in 2021, with its gaming revenue picking up from MOP60.4 billion from 2020 to MOP130 billion and its GDP projected to grow by double digits between 65% to 75%.

C. USA

Revisiting the course of the pandemic, the COVID-19 outbreak started in Wuhan and spread across China in January 2020. Then, the virus began spreading to South Korea and Europe in February 2020. In March,

the outbreak became a pandemic while the virus spread from New York City to all 50 states in the U.S.. As state governments successively imposed stay-at-home orders and prohibited people from going out and working, economic activities throughout the U.S. began to slide sharply, resulting in negative growth for two consecutive quarters in the first and second quarters of 2020, i.e. -5.0% and -31.4%, respectively. Entering the second half of the year, state governments across the U.S. gradually lifted stay-at-home orders, while the White House and the Congress collaborated to launch a US\$2 trillion stimulus package at the end of March. Furthermore, the Fed cut interest rates to zero and rolled out unlimited quantitative easing in March, while subsequently launching a US\$2.3 trillion rescue plan, which included corporate bonds and state governments, in April. Thanks to these moves, the U.S. posted a robust economic growth of 33.4% in the third quarter of 2020, and the country is expected to see its economy grow continuously by 4.1% in the fourth quarter of 2020. Meanwhile, its GDP growth fell from 2.2% in 2019 to -3.5% in 2020, recording its first negative GDP growth in 11 years.

Moving into 2021, it is estimated that the U.S. will return to normal as soon as September 2021 as the U.S. rolled out its nation-wide COVID-19 vaccination program at the end of 2020 after granting an emergency use authorization (EUA) for vaccines developed by Pfizer and Moderna. The Fed's implementation of quantitative easing has driven an increase in stock prices and housing prices, stimulating U.S. consumption and economy through the wealth effect. In addition, the U.S. Congress approved a US\$900 billion bailout package in December 2020 and newly elected U.S. President Joe Biden launched another US\$1.9 trillion relief package in March 2021, including \$1,400 cash handout per person, US\$300 in weekly unemployment benefits per person until September, and US\$35 billion in state and local aid. The U.S. will launch an infrastructure and green energy stimulus package in the expected future. With the rollout of COVID-19 vaccines, rising asset prices, and large-scale stimulus policies, the U.S. is expected to see its GDP rebounding sharply by 6.6% in 2021.

In order to hedge against the COVID-19 pandemic, the Fed cut interest rates by 150 basis points to zero in March 2020 and launched unlimited quantitative easing to purchase large amounts of U.S. bonds and mortgage-backed securities (MBS). With financial markets returning to stability, the Fed adjusted its bond purchases to US\$120 billion each month in mid- June 2020. Looking forward to 2021, over 10 million U.S. citizens remain unemployed compared to post-pandemic levels. With the Fed's introduction of the average inflation target policy, the U.S. will be able to withstand short-term inflation up to 2.5%, or even 3.0%. The Fed is expected to maintain a zero interest rate in 2021 and bond purchases totaling US\$120 billion per month under quantitative easing until the end of the year, as well as print money amounting to US\$1.44 trillion throughout 2021.

D. Vietnam

As countries around the world suffer from deep recession due to the COVID-19 pandemic, Vietnam has successfully stabilized growth in external and domestic demand, thanks to its great handling of the pandemic and its advantage in supply chains and international trade, thereby becoming the only country in Southeast Asia to record positive economic growth. In 2020, Vietnam saw its GDP grow by 2.91% despite slower than 7.02% in the previous year, which was still a great feat considering how severe the pandemic has been. Vietnam recorded a positive GDP growth of 3.68%, 0.39%, 2.69%, and 4.48% from the first quarter to the fourth quarter of 2020, respectively, thereby highlighting its highly resilient economy. By industry type, its agriculture, forestry



and fishing industry grew by 2.68%, whereas its service industry grew by 2.34%. Its manufacturing and construction industries grew at the highest rate of up to 3.98%, contributing to 53% of its GDP growth in 2020.

With regard to private consumption, retail sales slumped as the Vietnamese government imposed social isolation across the country in April 2020. However, due to proper control of the outbreak in the country, epidemic prevention measures were gradually lifted and domestic demand got back on track. Therefore, Vietnam's retail sales grew by 2.6% throughout 2020. As for CPI, food and grain prices rose by 12.28% and 4.51%, respectively; however, Vietnam's CPI only grew by 3.23% in 2020, less than its policy target of 4%. This was mainly due to factors such as low crude oil prices, lower transportation costs, and electricity tariff cuts by the government. Trade-wise, Vietnam continues to benefit from sales transfers and shifts in production bases resulted from the U.S.-China trade war. On the other hand, Vietnam's supply chain has managed to continue running due to the country's active participation in international economic integration in the past and outstanding handling of the COVID-19 pandemic. Hence, Vietnam is in an advantageous position as the global economy recovers. In 2020, Vietnam saw its exports grow rapidly by 6.87% while recording a total export volume of US\$281.5 billion and a trade surplus of US\$19.1 billion, reaching new heights in the process. In terms of investment, Vietnam approved a total of US\$28.5 billion in foreign investments in 2020, a 25% decline from 2019, due mainly to the COVID-19 pandemic. Foreign investments continued to concentrate in the manufacturing industry, accounting for 48% of the total investment amount. Among the countries and regions that invested in Vietnam, Singapore came in first, followed by China, Taiwan, and Hong Kong. As far as policies are concerned, in order to withstand the impact of the COVID-19 pandemic on its economy, the Vietnamese government rolled out a VND271 trillion fiscal stimulus plan which accounted for 3.6% of the country's GDP, while the State Bank of Vietnam (SBV) cut interest rates three times by 200 basis points in total to 4.0% throughout 2020.

As countries around the world roll out COVID-19 vaccination programs, the global economy is poised to weather the COVID-19 storm and overseas demand will continue to recover, thereby accelerating growth in exports from Vietnam. Since newly elected U.S. President Joe Biden is highly unlikely to immediately remove tariffs imposed due to the U.S.-China trade war, orders and production bases will continue to move out of China. Vietnam will continuously be favored by foreign manufacturers due to its advantages such as demographic dividend, labor costs, and open investment environment, its trade agreements with Japan and the EU, and its participation in RCEP, the largest trade deal in the world. Since international trade and investment activities are expected to improve significantly, the Vietnamese government has set a GDP growth target of 6.5% for 2021.

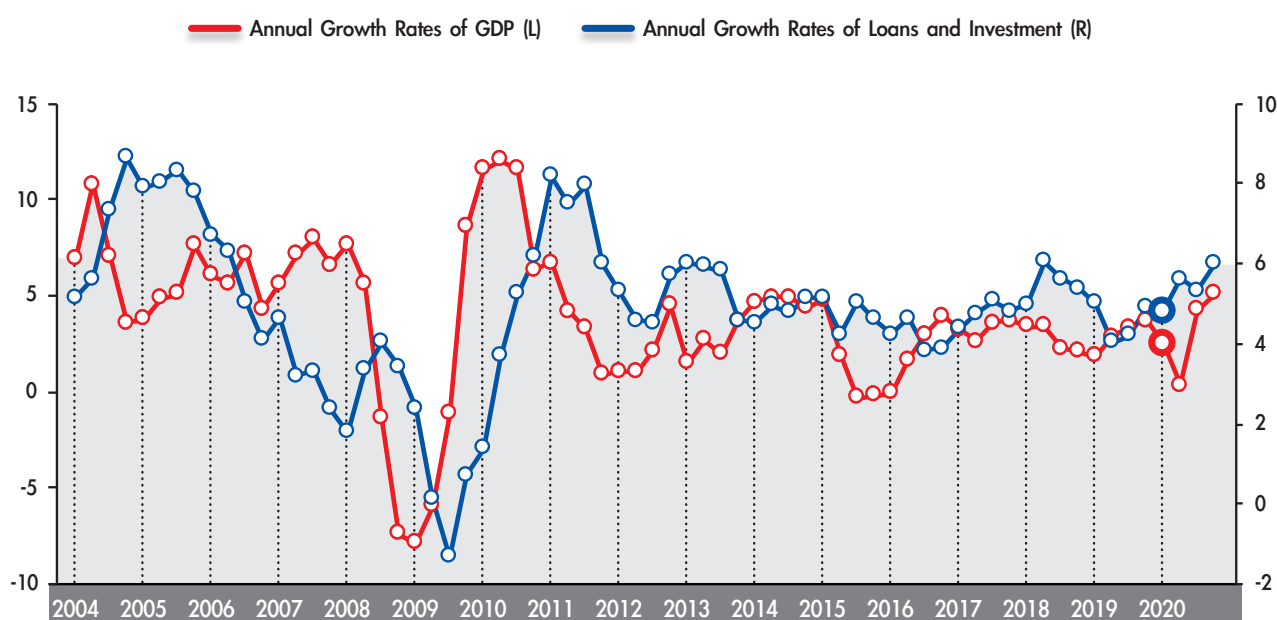
(II) Future Supply and Demand Conditions in the Market

Economic conditions play a key role in banks' lending business, insurance companies' sales of insurance policies, and the number of orders placed by securities firms' customers. When the economy is in an expansionary phase, borrowers need to respond to increases in capital expenditures, and their eagerness to borrow is strong, and demand for loans is high. Policyholders are motivated to purchase insurance policies or to add to existing insurance policies when funds are plentiful and there are no concerns regarding employment; driven by various factors, investors are willing to invest in the stock market, and therefore banks, insurance companies and securities firms perform relatively well. In contrast, once the economy falls into the stage of contraction and recession, the profitability of financial institutions will be unsatisfactory, and sometimes they will even suffer large losses due to the appearance of bad debts and investment losses.

Whether the economic outlook is good or bad determines the extent of financial institutions' profit growth or decline. In the past 30 years, Taiwan's economic structure has undergone major structural changes. The total value of exports as a proportion of GDP increased from 30% in the initial period to 54% in 2019. The economic performance of the major destination countries of Taiwan's exports will affect the economic prospects of Taiwan; China (including Hong Kong), Europe and the U.S. are Taiwan's top three major destinations for exports. Since the correlation between domestic banks' lending scale and the GDP growth rate is over 65%, DGBAS estimates that the annual GDP growth rate in 2021 will be 3.83%, while the growth rate of domestic banks' lending in 2021 will be 5% to 8%.

Annual Growth Rates of Real GDP, Loans and Investments

Unit : %



Data Source: CEIC; Organized by SinoPac Holdings

After September 2011, the Central Bank of Taiwan stopped raising interest rates due to weak global economic growth and lower inflation expectations. However, from the 3Q Directors/Supervisors Meeting in September 2015 to the 2Q Directors/Supervisors Meeting in June 2016, the Central Bank of Taiwan announced in four consecutive quarters that it would lower the re-discount rate, the rate on accommodation with collateral, and the rate on accommodation without collateral, by half a quarter point (0.125%), totaling 2 quarter points in reductions. The main reasons were the still-sluggish domestic economic situation and its poor outlook; in addition, there were no inflation concerns, hence the Central Bank sought to stimulate the recovery of the economy through monetary easing. The net interest margin of domestic banks declined from 1.46% in 3Q of 2015 to 1.35% in 1Q of 2017; however, since 2017, the Central Bank of Taiwan has not cut interest rates. Subsequent changes in the net interest margin mainly reflected market supply and demand.

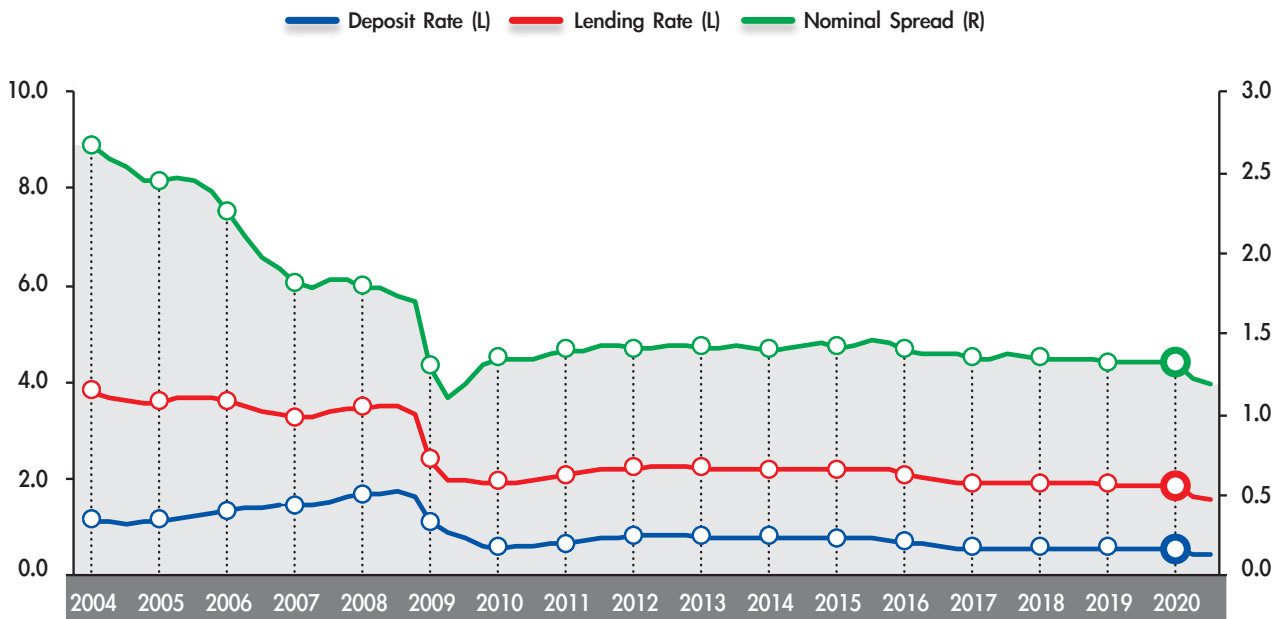
Due to the impact of the COVID-19 pandemic in 2020, the Central Bank of Taiwan cut the re-discount rate by 25 basis points to 1.125%, hitting a record low. Looking ahead to 2021, due to the ongoing the U.S.-China trade war, increasing economic and financial risks in China, global economic slowdown, and uncertainties



in global trade, the Central Bank of Taiwan will likely keep its interest rate policy unchanged to help the economy grow.

Trend in Net Interest Margin

Unit : %



Source: CEIC; Compiled by SinoPac Holdings

(III) Favorable and Unfavorable Factors in Future Development

A. Favorable Factors

- Financial institutions are encouraged to expand their business overseas under the New Southbound Policy
With a view to encouraging domestic financial institutions to expand their businesses beyond Taiwan and nurturing regional securities firms of significance, the FSC will ease the review criteria for applications for setting up overseas locations from domestic securities firms in the future. In conjunction with the New Southbound Policy set forth by the Executive Yuan (R.O.C.), the FSC also encourages securities firms to set up locations in Southeast Asian countries, actively organize seminars on business opportunities in countries listed under the New Southbound Policy, and visit Taiwanese companies located in these countries, so as to encourage these companies to go public and get listed on TWSE and TPEX and intensify the internationalization of Taiwan's capital market, thereby ensuring an active capital market in Taiwan. Moreover, the FSC assists domestic banks in setting up overseas locations through various measures, including continuously strengthening international financial supervision cooperation, enriching the overseas database of the financial industry, relaxing current laws and regulations, and nurturing international financial talents, in order to bring Taiwan's financial industry closer to markets in countries under the New Southbound Policy and provide Taiwanese companies with relevant services.
- The FSC has loosened a bank's trading ceiling for the same bond
In July 2019, the FSC completed the amendment to the "Regulations Governing Underwriting and Proprietary Trading of Bonds, Beneficiary Securities, Asset-backed Securities by Banks," reducing the

percentage of the same bond held by banks during proprietary trading from 20% of working capital to 10% of the calculation basis of banks and increasing the amount of offshore bonds purchased or sold by a single bank from NT\$160 to NT\$400 million to NT\$15 to NT\$31 billion. The main benefits include the following: (1) the amount of offshore bonds trading by banks increases, which is conducive to profitability; (2) the bond investment position increases significantly, coupled with increased demand for talents; and (3) life insurance companies' offshore bond investment services are expected to be transferred from foreign banks to domestic banks to achieve the "import substitution" policy.

3. Cutting Taiwan's stock transaction tax for day trading by half is extended to the end of 2021

To boost the trading volume of Taiwan stocks, the FSC submitted a proposal to the Executive Yuan in December 2016, seeking to adjust the stock transaction tax for day trading. After discussions between the Executive Yuan and related ministries, the stock transaction tax for day trading would be reduced from the original 0.3% to 0.15%, which is lower than 0.2% in the neighboring stock markets of Hong Kong and Singapore. In April 2017, the Legislative Yuan passed the third reading of the amendments to the "Securities Transactions Tax Act", reducing the stock transaction tax for day trading from the current rate of 0.3% to 0.15%. The Legislative Yuan is to assess after one year whether the reduction should be extended. In April 2018, the Legislative Yuan passed the third reading of the amendments to the "Securities Transactions Tax Act", extending the reduction in the stock transaction tax for day trading by half to the end of 2021 and including securities dealers in the scope of applicability of the amendments. Overall, the tax reduction will stimulate the trading volume in Taiwan stocks and help the securities brokerage business grow steadily. This is a positive note for strengthening the competitiveness of Taiwan's capital market.

B. Unfavorable Factors

1. The banking industry's excess reserve problem remains unresolved

Since 2002, Taiwan's banking industry has faced the problem of having funds that cannot be effectively deployed. Banks' loan to deposit ratio was between 79% and 83% during 2002~2008, and fell to 75% in 2009. Thereafter, the loan to deposit ratio remained at a historically low level. In 2020, the loan to deposit ratio remained at a low level of 76% despite the fund repatriation policy implemented by the competent authority that was offset by the acceleration of deposits. Although domestic banks have established subsidiaries and branches overseas, Taiwan's local excess reserve problem will remain unresolved in the short run.

2. The low interest rate continues

Considering the sluggish domestic economic situation, its poor outlook, and the absence of inflation concerns, from the 3Q Directors/Supervisors Meeting in September 2015 to the 2Q Directors/Supervisors Meeting in June 2016, the Central Bank of Taiwan announced in four consecutive quarters that it would lower the re-discount rate, the rate on accommodation with collateral, and the rate on accommodation without collateral, by half a quarter point (0.125%), totaling 2 quarter points in reductions. The Central Bank of Taiwan sought to stimulate the recovery of the economy through monetary easing. Although the Fed started the rate hike cycle from the end of 2015, the Central Bank of Taiwan kept the interest rate policy unchanged, from the 3Q Directors/Supervisors Meeting in 2016 to the 4Q Directors/Supervisors



Meeting in 2019, given the international economic slowdown and the mild inflation outlook. Due to the impact of the COVID-19 pandemic in 2020, the Central Bank of Taiwan cut the re-discount rate by 25 basis points to 1.125%, thereby hitting a record low. Moving into 2021, the Central Bank of Taiwan will keep its monetary policy unchanged as the subsiding COVID-19 pandemic requires more observation, U.S.-China trade tensions persist, China's economic and financial risks continue to increase, and the global economy returns to growth due to relatively low base effects in 2020. Moreover, the continuation of a low interest rate environment makes it difficult for domestic lending margins to increase, which is not conducive to net interest income performance.

3. The insurance sales regulations are tightening

The insurance sales regulations are tightening in 2020. The FSC will focus on the following measures: (1) reducing the policy reserve rate; (2) increasing the threshold for life insurance death benefits; (3) applying the rate stabilization mechanism to the interest-sensitive policy; (4) ensuring that the contractual service margin (CSM) is not negative; (5) recording the purchase of policies with cancellation fees by policy holders over 70 years old; and (6) preventing bank clerks other than wealth management personnel from collecting commissions on investment policies or policies with cancellation fees. Price-cut competition in the life insurance industry is expected to improve, which helps bring order to the industry; however, the proportion of guaranteed products will increase while the proportion of savings products will decline, which is not conducive to the growth of insurance-related fee income of domestic banks.

4. The progress of securities companies opening in Mainland China is still on hold

In the financial & securities meeting in 2013, Mainland China officials promised to allow (1) Taiwan's securities brokerage companies to set up a 51% fully-licensed securities company each in Shanghai, Shenzhen, and Fujian, with the counterparties not limited to Mainland China's securities companies. (2) Taiwan's securities companies to set up fully-licensed securities companies, with shareholdings therein not exceeding 49%, in the six special zones of Haixi, Wenzhou, Shenzhen Qianhai, Shanghai Pudong, Tianjin Binhai, and Chongqing Liangjiang, with the joint venture partner not limited to a single shareholder, enabling Taiwan's securities companies to possess right of control; however, as the Cross-Strait Service Trade Agreement is pending, there is still no news on the progress of applications. In 2018, the China Securities Regulatory Commission promulgated the "Regulations Governing Foreign Investment in Securities Firms", loosening the percentage of foreign investment in securities firms to 51% and further lifting the restrictions after 2021. In 2019, it further announced eleven measures for financial openness and advanced the time when the restrictions will be lifted from 2021 to 2020. At present, domestic securities firms planning to establish joint ventures in China include MasterLink Securities Corp., CTBC Securities Co., Ltd., Taishin Securities Co., Ltd., and President Securities Corporation. In January 2020, the board of directors of MasterLink Securities Corp. resolved to discontinue the establishment of joint ventures with Fujian Investment & Development Group Co., Ltd. and Pingtan Comprehensive Experiment District Financial Holding considering laws and changes in China's business environment. Yet, there is still no major progress on the entry of Taiwan's securities firms into Mainland China so far.

Operating Report

I. Scope of Business

1. Business Activities

Bank SinoPac plans and draws up its business in accordance with the Banking Act and related regulations, what is stated in its business license, resources at its disposal, and the needs of the general public and corporate customers. Its scope of business contains general deposits and loans, trust, investment, foreign exchange, etc.

2. Revenue Breakdown

Deposits (Consolidated)				In NT\$ millions
Items	Dec. 31, 2020		Dec. 31, 2019	
	Amount	%	Amount	%
Demand Deposits				
Checking Deposits	13,877	0.84%	11,894	0.86%
Demand Deposits	428,617	25.87%	274,100	19.76%
Savings Deposits	434,922	26.25%	335,781	24.21%
Subtotal	877,416	52.96%	621,775	44.83%
Time Deposits				
Time Deposits	527,770	31.85%	497,154	35.85%
Negotiable Certificates of Deposit	1,960	0.12%	11,225	0.81%
Savings Deposits	249,690	15.07%	256,717	18.51%
Subtotal	779,420	47.04%	765,096	55.17%
Total	1,656,836	100.00%	1,386,871	100.00%

Loans (Consolidated)				In NT\$ millions
Items	Dec. 31, 2020		Dec. 31, 2019	
	Amount	%	Amount	%
Import and Export Negotiations	632	0.05%	622	0.06%
Overdrafts	45	0.01%	62	0.01%
Accounts Receivable Financing	1,821	0.16%	1,368	0.13%
Short-Term Loans	240,313	20.78%	239,868	23.66%
Mid-Term Loans	399,138	34.51%	279,908	27.61%
Long-Term Loans	513,543	44.41%	490,289	48.37%
NPLs Transferred from Loans	949	0.08%	1,631	0.16%
Total	1,156,441	100.00%	1,013,748	100.00%

Note: Secured and unsecured loans/ overdrafts are all included in each item above.



Summary of Consolidated Income and Expenses		In NT\$ millions	
Items	2020	2019	
Interest revenue	29,414	31,615	
Interest expense	12,259	16,634	
Net interest	17,155	14,981	
Net revenues other than interest			
Commission and fee revenues, net	6,706	5,993	
Gains on financial assets and liabilities at fair value through profit or loss	1,502	4,225	
Realized gains on financial assets at fair value through other comprehensive income	1,203	680	
Loss arising from derecognition of financial assets measured at amortized cost	(4)	(2)	
Foreign exchange gains, net	1,493	782	
Reversal (provision) of impairment loss on assets	(496)	100	
Gain (loss) on disposal of subsidiary	207	328	
Other non-interest net revenues	181	239	
Total net revenues	27,947	27,326	
Bad debts expense, commitment and guarantee liability provision	2,333	1,048	
Operating expenses	14,594	14,249	
Income before income tax	11,020	12,029	
Income tax expense	1,266	1,738	
Net income	9,754	10,291	
Other comprehensive income, net of tax	3,426	926	
Total comprehensive income	13,180	11,217	

3. Main Business Overview

A. Corporate Banking

- (1) Acceptance of deposits from corporations of various kinds.
- (2) Provision of credit loan services for corporations, such as short-term working capital, mid-and-long-term loans, guarantee, and acceptance.
- (3) Domestic and international factoring.
- (4) Trade finance services, including foreign exchange payments and receipts for imports/exports, as well as guarantees for foreign currency payments.
- (5) International banking services offered to offshore corporations and individuals.

At the end of 2020, the outstanding balance of corporate loans was NT\$624,482 million, of which some 38% was extended in foreign currencies, reflecting an increase in overseas lending by 25%. The volume of factoring was NT\$67,327 million and the volume of foreign exchange was US\$282,835 million, with both figures accounting for considerable market share in the banking industry in Taiwan. The

outstanding balance of small and medium enterprise (SME) loans was NT\$224,915 million, ranking No. 5 among domestic private banks in terms of market share. In 2020, Bank SinoPac arranged 43 syndicated loans as the lead arranger and continued to provide enterprises mid-and-longterm funding sources and comprehensive financial products and services.

In 2020, Bank SinoPac continued to support the FSC's "Project for Strengthening Domestic Bank Lending to SMEs" policy and promote financial services for SMEs and cross-border business. In April 2020, Bank SinoPac was named the winner of "Excellence Award for Growth of Financing Amount in Countries under the New Southbound Policy" and "Outstanding Performance Award in Collections from Guaranteed Loans" by the Overseas Credit Guarantee Fund (Taiwan). Thanks to its efforts in promoting financing services for the green energy industry, Bank SinoPac was honored with a host of awards, including the "Outstanding Bank for Loans in Key Startup Industries," "Excellent Bank," "Special Award for Circular Economy Sectors," and "Special Award for Renewable Energy Sectors" by the FSC in June 2020; the "Best Green Finance Innovation Award" by the Excellence magazine in August 2020; as well as the "Best Financial Service Provider Award" in the Top Solar System Awards hosted by the Bureau of Energy, Ministry of Economic Affairs (R.O.C.) in October 2020, where Bank SinoPac was the only financial services provider in Taiwan that won the "Top Solar Awards" for five consecutive years.

With the expansion of overseas presence, Bank SinoPac's corporate banking cross border service network has already covered major areas where Taiwanese enterprises are concentrated. It provides integrated and cross-border services for customers. Through the Factors Chain International (FCI) platform and Factoring by Insurance (FBI) products, Bank SinoPac has effectively lowered the risk and cost of overseas operations in the factoring business. As Taiwanese enterprises expand outward in servicing a global supply chain, Bank SinoPac continues to provide professional and complete trade finance services. Not only has it played an important role in the financing supply chain of domestic banks, but it also has expanded the footprints of services worldwide.

B. Retail Banking

- (1) Bank SinoPac provides retail banking secured loans and related products, including mortgage loans, car loans, second lien mortgage loans, securities-based loans, machinery-based loans, and other secured loans. Furthermore, Bank SinoPac provides customers integrated services that meet individual demands for funds through the aforementioned products and based on market differences.
- (2) Providing consumer loans.
- (3) Issuing credit cards, providing cardholders revolving credit and installment plan for their unpaid balance, as well as offering cash advances.
- (4) Issuing debit cards and handling related matters.
- (5) Signing up merchants and acting as an agent that collects and pays credit card spending for merchants.



As far as secured loans are concerned, the real estate market saw "an increasing volume with rising prices" compared to 2019 due to a slowdown in the COVID-19 outbreak in Taiwan in the third quarter of 2020. With the intention of maintaining asset quality, the principal objective of the mortgage loan business was to focus on the solicitation and promotion to quality self-use customer segments internally and externally. In 2020, Bank SinoPac also combined FinTech development to enhance the offering of digital services, such as online instant appraisal, 3D street view, and online property price registrations of similar objects over the year, so as to strengthen the maintenance of business relationship with target customers and satisfy customers' demands for funds on a full scale. The scale of credit loan and credit card businesses at Bank SinoPac continued to grow as promotional efforts remained stable and high cash back rates were offered.

As of the end of 2020, the outstanding balance of mortgage loans was NT\$509,979 million; the outstanding balances of car loans and other retail banking loans were NT\$7,809 million and NT\$2,812 million, respectively; while the outstanding balance of credit loans was NT\$23,683 million; on the other hand, the number of circulated credit cards was 2.062 million and the overall credit card spending amount throughout the year was NT\$108,619 million.

C. Wealth Management

Bank SinoPac provides a wide array of products and services that meet the different needs of customers, including investment products, general trust and custody and affiliated businesses, as well as insurance, etc.

- (1) Investment products: Domestic and offshore mutual funds, bonds, ETFs, and structured products.
- (2) General trust and custody and affiliated businesses: Acting as a custodian bank for securities investment trust funds, futures trust funds, domestic securities invested in by foreign institutional investors and foreign individual investors, collective investment accounts for overseas foreign and/or Mainland Chinese employees, discretionary investment accounts, and securities custody; offering employees benefit trust, real estate trust, securities trust, transaction payment trust, advanced payment trust, charitable trust, insurance claims trust, eldercare trust; authentication for issuance of securities; acting as a trustee for issuance of bonds, etc.
- (3) Bancassurance: Bank SinoPac acts for the insurance products of property/life insurance companies, including endowment insurance, mortgage life insurance, protection insurance, and investment-linked policies as well as accidental injury insurance, residential fire and earthquake basic insurance, commercial insurance, automotive insurance and health insurance.

Despite the fact that global fundamentals have been hit hard by the COVID-19 pandemic in 2020, risk-bearing assets are expected to lead the rebound due to active response from fiscal and monetary policies implemented by countries around the world, while the rollout of COVID-19 vaccines thereafter has led to a positive market sentiment. In 2020, stocks and bonds have mostly posted positive returns, especially in the U.S. and China. In the insurance market, due to the COVID-19, the launch of bailouts and easing

monetary policies by major economies around the world, along with the reduction of re-discount rate implemented by the Central Bank of Taiwan in March 2020, resulted in a continuous decline in long-term interest rates for domestic insurance products and worsening policy conditions, thus lowering customers' willingness to take out insurance.

The sales volume of non-discretionary money trust investing on domestic and foreign securities by Bank SinoPac amounted to NT\$70,240 million throughout 2020, and the total trust assets under management at the end of 2020 was NT\$110,320 million. The total outstanding amount of general trust business (including real estate trust, employees benefit trust, and securities trust) hit NT\$34,532 million at the end of 2020. In addition to acting as a custodian bank for securities investment trust enterprises and futures trust enterprises that issued onshore funds, Bank SinoPac also actively solicited custody businesses for exchange-traded funds (ETFs) and discretionary investment-oriented insurance policies. It had NT\$553,754 million of assets under management at the end of 2020 and collected NT\$28,462 million as insurance premiums for the bancassurance business, including NT\$1,796 million through SinoPac Securities, in the same year.

D. Financial Markets

- (1) Proprietary Trading: Foreign exchange, interest rates, equity securities, derivatives trading, etc.
- (2) Treasury Marketing Unit (TMU): Providing customers with optimal hedging strategies, trading ideas, comprehensive solutions, and market color and engaging in securities and bond trading businesses.
- (3) Engaging in underwriting of securities.

Bank SinoPac actively participated in a wide array of financial instruments in Taiwan and other Asia markets. Bank SinoPac's well-established and comprehensive platforms for foreign exchange, interest rate products, equity securities, and derivatives thereof made it one of the key market makers among banks in the Asia-Pacific region. Meanwhile, Bank SinoPac actively pushed for organization-wide digital transformation, built program trading and AI modules, and developed its core digital capabilities in a wide range of financial market operations and financial engineering. To sum up its outstanding performance in various businesses, Bank SinoPac was honored with a series of awards in 2020, including five FX trading-related awards from internationally renowned institution Refinitiv, including the "Trading Innovation Award," "Top CNH (SPOT) Entity," "Top CNH (SPOT) Trader," "Top Asian NDF Entity," and "Top Asian NDF Trader"; the "Best Bank for Investment Solutions, FX" from The Asset magazine; the "Futures Market Promotion Diamond Award" from Taipei Futures Exchange for the third consecutive year; the "Excellent Market Maker for Central Government Bonds" in the first half of 2020 and the runner-up of the "NTD Interest Rate Swap Trading Platform Competition" from Taipei Exchange; as well as the "Top Investment House in Asian Local Currency Bonds for 2020 - Highly Commended" in Taiwan and "Best Formosa Bond-Corporate" in the Sustainable Capital Markets Country & Regional Awards 2020 from The Asset magazine, highlighting the recognition Bank SinoPac has earned for its professionalism and devotion to financial products and services.



In terms of business development, Bank SinoPac actively engages in the bond underwriting and bond trading businesses to offer customers more comprehensive products and services. To increase its FX trading market share, Bank SinoPac constructed a FX electronic trading platform. In addition, as one of the few Taiwanese banks that are licensed to participate in FX trading using the China Foreign Exchange Trade System (CFETS). Bank SinoPac achieved growth in RMB trading volume, thus effectively boosting its profitability. The efforts put in for strengthening the FX business have made Bank SinoPac a key market maker for FX futures and FX options in Taiwan Futures Exchange.

In order to adapt to external changes, TMU constantly enhances internal risk control and optimizes pre-settlement risk limit for trading financial product and KYC processes. Additionally, TMU effectively implements risk management and enhances training for sales personnel, with the purpose of maintaining sustainable relationships with customers.

E. Digital Banking

- (1) Operating and managing digital banking platforms, including platform construction, function planning, design, and project execution for personal electronic banking and mobile banking.
- (2) Formulating digital account development strategies, including planning and implementing business goals based on customer segments, promoting related services at branches, etc.
- (3) Promoting the integrated application of digital payments to offer integrated services that satisfy needs for payments made onshore and offshore, online and offline, and via mobile devices.
- (4) Continuously developing Partner APIs systems and services in four areas, including E-commerce payment, identity authentication, financial information, and bill payment.
- (5) Providing corporate customers integrated cash management solutions, including corporate electronic banking, receipts and payments of funds, current asset management and automated teller machine (ATM).

In response to the trends of digital banking and online-only banks, Bank SinoPac continued to expand the service items under digital account service DAWHO, which covered eight core products, including deposits, credit cards, wealth management, mortgage loans, credit loans, car loans, foreign exchange, and securities. Furthermore, Bank SinoPac also established digital customer indicators for measurement purposes and offered high cash rebates for five designated channels, including "entertainment, transportation, dining, leisure, and education," thus creating a digital banking scene. In order to meet digital customers' needs for mobile banking services, Bank SinoPac launched the tailor-made DAWHO app in 2020, with a view to offering a diverse, data-supported customized banking experience that better satisfies customer needs.

In terms of digital payment services, Bank SinoPac has integrated receipts and payments onshore, offshore, online and offline, and optimized user experience so as to satisfy customers' demands for one-stop digital payment services.

In terms of corporate customer management, Bank SinoPac launched a paybill platform that connects with partners, such as community management committees, trade unions, or parking lot companies, to provide payment services through API; in addition, the corporate electronic banking platform, "Global eBanking", continuously provided integrated cash management solutions in hopes of becoming the best partner for corporate customers at home and abroad.

Having continuously earned high praise for its digital banking services, Bank SinoPac received a host of awards in 2020, including the "eACH Service Promotion Award" and "eACH Collection Service Promotion Award" from the Taiwan Clearing House in March 2020; the "Digital Banking Initiative of the Year in Taiwan," "Marketing & Brand Initiative of the Year in Taiwan," and "Service Innovation of the Year in Taiwan" from the Asian Banking & Finance magazine in August 2020; the "Best Digital Account - Quality Bank Award" for the new-generation VIP digital account DAWHO during the Taiwan Financial Awards hosted by the Wealth magazine in October 2020; as well as the "Star of Electronic Word-of-Mouth 2020 - Outstanding Popularity Award" from the Daily View website and the "Best Digital Finance Award" in the 10th Taiwan Banking and Finance Best Practice Awards hosted by the Taiwan Academy of Banking and Finance in November 2020. Customer satisfaction toward Bank SinoPac was significantly improved through its continuously innovative financial services and user experience.

During its participation in the inaugural 2020 Taipei FinExpo, Bank SinoPac created an exhibition space which highlighted five featured areas, including "DAWHO HENRY," "Open Banking," "Donation Payment," "Financial Investment," and "Banking Unboxed," based on a design idea comprising the "DAWHO Light Luxury" style and the "Digital Banking Bar" experience, in combination with resources from the subsidiaries of SinoPac Holdings. Four personal banking applications, including wealth management, investment, consumption, and flexible funds, were integrated into real-life scenarios through on-site interactive experience in the event, so as to change people's perceptions about the banking industry through the aesthetics of banking and open a dialogue between the new generation and banking, thereby creating a "SinoPac" hype.

II. Current Year Business Plan

A. Corporate Banking

- (1) With the service network of domestic branches, Bank SinoPac is well-positioned to provide all sorts of integrated corporate banking services for customers.
With the service network of domestic branches, Bank SinoPac introduces a great variety of corporate banking products based on customers' needs to deepen customer relationships. Moreover, it joins other subsidiaries of SinoPac Holdings in delivering more value-added and consolidated financial services to corporate customers, fulfilling their financial needs on a comprehensive scale.
- (2) Catering to needs of niche markets in different industries while grasping the trend of global supply chains.



By obtaining an in-depth understanding of the trend of global supply chains and production base moves in key industries, Bank SinoPac seizes new business opportunities and cultivates niche markets deeply. Bank SinoPac also provides corporate customers customized services and keeps promoting the credit loan business centered on trade and self-liquidating loans to manage customers' transactions and cash flows, allowing it to obtain a profile of upstream and downstream trading counterparties of its customers. Such practices are beneficial to growing more business opportunities and provide overseas production bases financial services required for plant construction and production equipment.

- (3) Acting as the mandated lead arranger of syndicated loans and satisfying customers' diversified funding needs.

Bank SinoPac aims at providing tailor-made syndicated loans with a focus on specific industries; taking advantage of business opportunities arising from M&A activities, and providing integrated financial services by utilizing the resources of SinoPac Holdings; grasping the New Southbound Policy and following the footsteps of industries to expand its presence in Southeast Asia; based on national characters of each ASEAN country, providing customized syndicated financing models consisting of the syndicated loan structure and cross-border cash management with the support of overseas branches and other cooperating banks; and developing green financing by providing syndicated loans for large power plants based on the past experience.

- (4) Strengthening SME banking services to expand the scale and market share of SME loans.

Having strengthened its foothold in Taiwan for over seven decades, Bank SinoPac has witnessed the country's economic development at different phases. On the basis of its existing SME loan business, it is proactive to provide guarantees along with the "Small & Medium Enterprise Credit Guarantee Fund of Taiwan (SMEG)" and the "Overseas Credit Guarantee Fund (Taiwan)." It also extends support to the government's various economic stimulus policies and provides SMEs with all kinds of financial products and services they need.

- (5) Establishing a resource-sharing mechanism to attain synergies of regional consolidation.

Through the integration of SinoPac Holdings' operational experiences of domestic branches, OBU, Bank SinoPac (China), and branches in Los Angeles, Hong Kong, Macau, and Ho Chi Minh City, a resource-sharing mechanism has been established. Bank SinoPac aims at expanding onshore and offshore financial service markets and resources based on the existing customer segments at various operating locations and cross-border channels. By making good use of its local strength, understanding of industrial characteristics, and local customer segments, Bank SinoPac strives to maintain regional competitiveness of its financial services in the Greater China Area, ASEAN, and the U.S., become the best financial product and service provider for Chinese businesses around the world, and build up new overseas earnings drivers, so as to attain synergies of regional consolidation.

- (6) Coordinating with onshore and offshore channels to actively solicit international syndicated loans as a lead arranger. Through the integration of resources from onshore and offshore channels, Bank SinoPac endeavors to act as a lead arranger of syndicated loans for large enterprises and others. Bank SinoPac also takes advantage of its channels in Southeast Asia to bring syndicated loans

of local quality enterprises into Taiwan. Bank SinoPac continues to pursue cross-border trade finance business and strive for participation in international syndicated loans. It aims to evolve into the lead arranger of syndicated loans with support from the middle- and back-office, thereby widening yield spread and boosting capital utilization.

B. Retail Banking

- (1) Expanding the scale of retail banking business to increase market share and competitiveness
 - Developing credit card products linked to bank accounts to cross-sell a wide range of financial products.
 - Actively promoting multiple types of mobile payments, technology and optimizing user experience to increase customer stickiness.
 - Developing new payment models in combination with newly created platforms and expanding offline payment scenarios to enhance new consumption experience.
 - Increasing the sales force and digital marketing to drive sales volume and momentum.
- (2) Boosting profit momentum and creating product value
 - Using opportunities of cross-promotion to enhance the added value of products.
 - Reinforcing risk pricing and price management to maintain product profits.
- (3) Strengthening product innovation and management of customer segments
 - Highlighting the development of quality self-use mortgage loan customer segments internally and externally and maintaining existing customer relationships.
 - Keeping abreast of the needs of high-quality customers to provide differentiated services.
 - Pursuing the optimization and digitization of products and services to bring convenience to customers and increase customer stickiness.
 - Becoming customers' well-rounded financial consultant using big data analysis.
- (4) Maintaining asset quality and boosting operating efficiency
 - Holding fast to the principle for undertaking businesses from target customers and managing collateral classification to maintain sound credit loan quality.
 - Strengthening risk management and statutory compliance constantly; implementing sales discipline and raising risk awareness.
 - Upgrading systems and optimizing operating procedures to increase operating efficiency and customer satisfaction.

C. Wealth Management

- (1) Developing a high-net-worth customer base to assist high-net-worth customers in all-round wealth management planning.
 - Assisting high-net-worth customers in asset planning, diversified wealth management, wealth inheritance, and family inheritance management, to offer professional cross-border integrated financial services.



- Continuously expanding the senior wealth management consultant team and enhancing the professional competence of the team to develop Bank SinoPac as a brand that engages in professional management of high-net-worth customers.
- (2) Providing integrated electronic banking services and establishing digital wealth management platforms to adapt to the digital banking trend.
- Continuously implementing digital transformation to create new customer journeys and provide customers with more convenient investment methods..
 - Building a digital marketing platform to provide internal and external customers with real-time, focused, and in-depth information and create high-quality customer experience.
 - Constantly installing and optimizing electronic trading platforms, such as electronic banking, mobile banking, and electronic application, to provide abundant, real-time, convenient, and active wealth management services.
 - Establishing a rich, complete, and comprehensive wealth management services platform by integrating physical and virtual electronic channels of branches.
- (3) Developing customer-first services and sales models with a data-centric approach
- Establishing an in-depth understanding of each customer and explore possible potential needs by analyzing customers' basic information, transaction data, and inventory data, as well as satisfying the needs of each type of customer with complete product lines and a wide array of transaction methods.
 - Providing customers with full consultation and corresponding after-sales service based on customer inventory and transaction records using AI.
 - Developing precise and effective communication according to customer preference and contact point records.
- (4) Constantly developing innovative products and improving services to meet customers' needs, cement relationships with customers, and boost customer satisfaction.
- Establishing business models that integrate customers' needs, investment research resources, product portfolios, and asset risk management, thereby providing customers with complete and diversified investment management plans.
 - Continuously providing differentiated and sophisticated products, as well as wealth management information and services, thereby enhancing the overall service quality.
 - Continuously planning for the development of the young generation by adhering to the idea of design thinking, and providing diversified and digital wealth management services with lower investment thresholds to expand markets and improve operating efficiency.
 - Studying and formulating plans to integrate internal resources into suitable financial products and designing a wide range of customized trust products through cross-industry collaboration in response to the Trust 2.0 Plan issued by the FSC, in hopes of developing all-round trust services that meet customers' needs in various aspects of daily life; while continuously promoting and advocating the concept of eldercare trust, and providing more friendly and protective property trust services for the disabled in line with government policies in order to help their family plan ahead and safeguard their property, thereby fulfilling corporate social responsibility.

- Continuously refining intelligent wealth management platform ibrAin with FinTech while using algorithms to provide the most appropriate investment portfolio based on customers' needs, age and investment objectives and assist customers in completing their investment plans.
 - Improving the "VIP wealth management" membership by enriching the features and benefits exclusively, as well as striving to meet customers' needs for wealth management with agile and convenient financial services, offers and rewards, and wealth planning for customers at different life stage, in order to increase customer's satisfaction.
 - Assisting customers in completing personal goals, transferring risks, and safeguarding their family and property.
 - Promoting insurance products featuring asset transfer and tax mitigation based on the needs of high-net-worth customers, so as to deepen customer relationships.
- (5) Strengthening sales discipline to protect the rights and interests of customers
- Constantly holding salesperson training sessions to enhance their professional skill sets and risk management awareness.
 - Ensuring legal compliance, risk management, and personal information protection in all products and services to uphold the rights and interests of customers and win their trust.
- (6) Expanding offshore wealth management services to explore high-net-worth clients
- With Hong Kong Branch as the base, Bank SinoPac took advantage of the Asian financial center and its flexible and vibrant markets for investment and wealth management to develop a new high-net-worth customer base and business opportunities in Hong Kong and neighboring areas while providing high-net-worth customer with tailor-made asset management plans to increase non-interest income.
- (7) Integrating domestic and overseas products and services while developing four major wealth management offerings, including deposits, insurance, wealth management, and structured products; drawing on competitive products and quality services to improve penetration rate and provide the most suitable asset allocation suggestions based on customers' needs; as well as upgrading the relevant systems to construct an even sounder wealth management platform.

D. Financial Markets

- (1) Proprietary Trading : Bank SinoPac aims to strengthen internal risk management and to build an optimized mechanism for portfolio management on trading systems. The ultimate goals are to facilitate cross-instrument hedging by dealers and to increase market-making capability. In addition, Bank SinoPac also aims to develop trading strategies through quantitative methodologies in order to achieve stable long-term profits. Last but not least, as a licensed market maker in CFETS, Bank SinoPac thrives to gain market share in FX market and boost profitability for proprietary trading.
- (2) Treasury Marketing Unit (TMU): Identifying market trends and exploring customer segments to expand the source of stable income. TMU keeps abreast of changes in customers' operations and proactively keeps track of customers' cash flows to better understand customers' asset allocation needs, as well as offers real-time investment and hedging recommendations with respect to a wide range of products.
- (3) Given equal consideration of risks and returns, Bank SinoPac proactively develops all-round asset allocation services, offers customized product recommendations to increase portfolio income, as



well as constantly keeps track of market trends and explores new funding and business sources to decentralize industry and regional risks, stabilize cash positions, and enhance FX trading income.

- (4) Using Hong Kong platform as a hub to coordinate and assist other overseas branches to develop financial market businesses. Teaming up with corporate banking group to provide competitive financial products embedding hedge solutions, and enhance relationships, thereby achieving higher earnings and penetration.

E. Digital Banking

- (1) Making an all-out effort in the development of digital banking services

In line with amendments to the policies and regulations promulgated by the competent authorities, Bank SinoPac continues to innovate digital banking applications and services by actively creating a digital banking environment, incorporating data collection and analysis, and integrating customer behavior data.

- (2) Increasing the penetration rates of digital platforms

Bank SinoPac continues to optimize digital banking service processes and user experience, as well as expand the digital authentication mechanism that enables customers to get in touch with Bank SinoPac's financial services through different channels, so as to increase customer reach and stickiness, thereby increasing the penetration rate of digital services.

- (3) Managing digital accounts

Bank SinoPac selects suitable communication models based on the habits of digital customers, increases interaction with key opinion leaders and bloggers, and creates positive online topics and opinion by combining innovative and competitive product and service solutions.

- (4) Providing diversified financial applications

Bank SinoPac provides a diverse range of financial applications by partnering with emerging digital technology and payment service providers through strategic alliances to improve the intricacy of services and customer satisfaction.

- (5) Developing open API to realize financial innovation

In response to open banking implemented by the FSC, Bank SinoPac actively builds related management platforms and mechanisms for open API of Financial Information Services Co., Ltd. to realize various applications with third-party service providers (TSP).

- (6) Deepening corporate customer binding based on the model of partner APIs

Bank SinoPac binds the cash flows of corporate customers to integrated cash management products, such as online receipts and payments, salary payment, supply chain financing and deposit equipment, and continuously expands the cooperation in partner APIs.

- (7) Promoting overseas electronic banking

Bank SinoPac strengthens overseas electronic banking and local financial product planning to create a professional brand poised to satisfy the overseas customers' need for electronic banking.

- (8) Strengthening ATM user experience

Bank SinoPac optimizes user flows and services to provide new digital experience and financial services for customers.

III. Research and Development

(I) Major financial products, size of new departments, and profit (loss) status

Information is detailed in Operating Report I. Scope of Business.

(II) Expenditures on Research and Development

Expenditures on Research and Development over Recent Two Years			Unit: NT\$ thousand
Year	2019	2020	
Amount	180,109	196,263	

(III) Results of Research and Development

- (1) In January 2019, Bank SinoPac collaborated with Apple Pay to launch an innovative QR code payment model at Nanmen Market. Stall owners only need to display a QR code sticker to receive payments, whereas consumers only need to turn on their phone camera to automatically connect to Apple Pay or Google Pay and make mobile payments.
- (2) Bank SinoPac worked with Goshare, a scooter-sharing startup platform to develop a scenario-based payment model known as Goshare Select Scan & Pay, which integrates the QR code payment technology into the Goshare app and allows payments to be made conveniently using the QR code provided for each scooter. At the same time, in order to enhance payment experience, spending and rebate information is displayed on the app in real time, thus offering a more direct experience in spending information.
- (3) Bank SinoPac created the first-of-its-kind card acquiring online application mechanism for natural persons, which allows individual merchants with card acquiring needs to apply for card acquiring service online within 10 minutes. Individual acquiring merchants can be reached quickly, thus effectively increasing the scale of the card acquiring business.
- (4) Bank SinoPac optimized services such as online banking inquiries for foreign securities custody and systemization of bank statements to meet customers' needs for diversification of asset allocation in investments and wealth management, so that customers can develop a more complete investment plan.
- (5) In August 2019, Bank SinoPac launched ibrAin, a smart wealth management product, and introduced inclusive financial services via its brand new AUM pricing and charging model. Guided by customers' investment objectives, ibrAin offers tailor-made investment recommendations to customers through optimized algorithms and precise computations using big data. Unlike its competitors which offer packaged investment portfolios according to customers' risk attributes, ibrAin provides investment recommendations that best meet customers' investment needs out of over 6,000 portfolio recommendations based on customers' personal information, investment amount, and investment objectives.



Overview of the Development of ibrAin:

- In March 2020, Bank SinoPac began offering after-sales service functions, such as billing inquiries, message notifications, and change of agreed items, as well as set up an introduction page for opening a digital account to guide customers on account opening before subscription, thereby providing a complete service experience.
 - In 2021, Bank SinoPac will provide customers with investment recommendations based on the investment consultant service process, in order to realize inclusive financial services via investment consultants.
- (6) Developing "Mobile Insurance": In August 2020, Bank SinoPac launched its first mobile insurance with cooperative insurance companies, which improved the efficiency of insurance sales, optimized the quality of applications, strengthened the inspection mechanism, and provide customers with a convenient, real-time insurance experience.
 - (7) Bank SinoPac actively enhanced its information security protocols and became the first financial institution in Taiwan to have successfully obtained the latest ISO 27001:2013 ISMS certification.
 - (8) Bank SinoPac strengthened the stability of system operations and services; planned infrastructure for server rooms; provided more stable server room operation and network services through the setting-up of multi-environment equipment and the high bandwidth and backup capabilities of Internet nodes; introduced the cloud-to-ground integration structure; and acquired flexible and real-time information resources to quickly master the environment required for operations.
 - (9) Bank SinoPac incorporated an AI-based public opinion analysis mechanism to analyze online opinion on DAWHO and keep abreast of changes in customer preference, with a view to maintaining public opinion on DAWHO in the market and offering precision marketing.
 - (10) Bank SinoPac built the Data Management Platform to collect customer footprints and explore customer profiles, in order to uncover user needs and provide a differentiated experience, thereby improving user satisfaction and meeting customer needs.
 - (11) Aiming to change people's mind about digital experience through the aesthetics of finance, the DAWHO APP not only offers banking services, but also provides the first-of-its-kind full securities function, which enables customers to execute stock saving, place stock orders, and opening securities accounts via the APP, so that a wide range of financial services are available at customers' fingertips.
 - (12) Bank SinoPac's "Video-based Financial Advisory System" enables customers to seek consultation from financial advisors on financial products and financial planning via video conferencing, thereby assisting customers in achieving optimal asset allocation.
 - (13) By connecting to the MyData Platform, a personalized digital service platform developed by the National Development Council, Bank SinoPac can now directly obtain the latest personal information of customers stored at government agencies when customers apply for mortgage loan, credit loan, and credit card; this way, customers can avoid the hassle of submitting relevant documents.
 - (14) Bank SinoPac introduced a host of functions via its online payment collection tool "funBIZ", including cash on delivery at convenience stores, credit card autopay, and mobile payments such as Apple

Pay and Google Pay, so as to enhance merchant satisfaction and product competitiveness while continuously supporting the development of SMEs. Furthermore, Bank SinoPac extended its services to charitable organizations as it joined hands with them to launch a donation platform which incorporates collection service via Line Pay, the most frequently used mobile payment tool in the market, thereby enabling the bank to fulfill corporate social responsibility.

- (15) Bank SinoPac will continue to expand partnership in the future, in order to allow customers to bind electronic payment tools, including Line Pay, to their deposit accounts and pay directly from their deposit accounts.
- (16) Bank SinoPac worked with Financial Information Services Co., Ltd. to introduce cross-border payment services, where customers could pay on Taobao through the "Fun Wallet" app.
- (17) Bank SinoPac provided payment services through APIs for different corporate customers, such as community management committees and parking lots. Through APIs, community management fees are paid and collected; tenants are able to check and pay monthly fees and parking fees through Line@.
- (18) Bank SinoPac introduced ATM machines equipped with 19-inch large multi-touch displays to provide customers with a high-quality automated service experience.
- (19) Bank SinoPac developed various APIs, such as the eACH real-time collection and payment API, the convenience store real-time collection write-off API, and deposit balance inquiry and fixed deposit inquiry APIs, to meet corporate customers' needs for real-time account inquiry, collection, payment, and write-off.
- (20) Bank SinoPac's corporate online banking service "Global eBanking" offered salary transfer services to Vietnam.

(IV) Future Research and Development Plans

- (1) For the purpose of further enhancing "Feng Yun Mortgage," Bank SinoPac will continue to optimize and upgrade its systems in 2021. Through AI, introduction of new technology, design of tailor-made intelligent technology services, enhancement of operating efficiency and service satisfaction, and combination of big data analysis, Bank SinoPac aims at becoming customers' well-rounded financial consultant.
- (2) In order to constantly provide customers with a better service experience and ensure complete product lines, Bank SinoPac will develop and provide services, such as a new instalment payment service model and an online card acquiring application mechanism for corporate customers, and carry on with the development of innovative and digital collection and payment products, so as to meet ever-changing consumer needs and enhance overall business momentum.
- (3) Continuously innovating products or services and providing customers integrated investment management plans, including the introduction of investment portfolio tools, integration of customers' needs, investment research and analysis, product portfolio, and risk management; as well as refining wealth management counseling services to help customers seize investment opportunities in the market.



- (4) With a view to driving digital transformation in wealth management services, Bank SinoPac planned the trade matching function using efficient investment approaches for funds in 2020, thus reaching another milestone in the integration of offline services and online trading. In the future, Bank SinoPac will continue to expand its very own matching services, and develop other matching services after successfully offering its fund and bond matching services, so as to provide customers with all-round financial management services anytime, anywhere.
- (5) Bank SinoPac will actively participate in the push for regulatory amendments, cross-industry alliances, and talent development required in the Trust 2.0 Plan. Furthermore, Bank SinoPac will study and formulate plans to establish family trust models to assist companies in stabilizing their equity and implementing sustainable business inheritance; plan a product diversification structure for employees benefit trust to meet companies' needs for diversified talent retention solutions; and provide customized trust services based on individual needs to seize trust-related business opportunities.
- (6) Bank SinoPac will proceed with digital transformation and introduce automation processes to strengthen system functions related to wealth management and trust businesses.
- (7) The launch of ibrAin has broken the tradition that only high-net-worth customers can enjoy financial advisory services, and enables every investor to enjoy similar services digitally. In the future, Bank SinoPac will continue to offer one-stop online wealth management and banking services in combination with digital accounts and create a friendly investment experience with various features such as low threshold and low fees, thereby expanding Bank SinoPac's inclusive financial services.
- (8) Bank SinoPac will leverage the experience and performance of the international receivables organization, Factors Chain International (FCI) in factoring, and engage in mutual cooperation between members to obtain an in-depth understanding of global customers, and develop and expand industry supply chains and cross-platform integration.
- (9) Bank SinoPac will keep on engaging in Factoring by Insurance (FBI) services, strengthening the cooperation with international insurance companies and establishing a factoring platform to assist customers in developing global opportunities.
- (10) Bank SinoPac will continue to seek opportunities for cross-platform cooperation, build safe and convenient trade finance channels, and assist customers in developing business opportunities.
- (11) Bank SinoPac aims at integrating open data and visualizing key risk data using AI technology to refine post-loan management and early warning mechanisms, accelerate credit investigation, and deliver quality customer services.
- (12) Bank SinoPac will build a data market to expand the risk factors in corporate loans and improve the internal rating model; introduce Basel, an internal ratings-based approach, to improve the completeness, precision, and timeliness of quantitative risk assessment, pricing strategies, and performance management of corporate loans and to maintain good asset quality.
- (13) Bank SinoPac will study and formulate plans to replace manual editing of financial statements with automated scanning and connect with the government's Open Data to improve the efficiency of credit investigation and accuracy of data.

- (14) In order to practice sustainable finance, Bank SinoPac plans to implement the concept of "green risk rating" with technical guidance from external professional ESG rating agencies, in order to fulfill responsible lending and exert its positive influence in sustainable finance.
- (15) In response to the trend of open banking and market demand, Bank SinoPac will study the opening-up of financial services and information and the connection with business partner services and applications in hopes of providing customer-oriented financial experience and diversified service channels, provided that laws and regulations and information security are met.
- (16) Through industry-university collaboration, Bank SinoPac will actively develop a new generation of talents in FinTech and accelerate innovation with the research strengths in universities, so as to enhance Bank SinoPac's innovation capabilities and create a new smart life in the future. In addition, Bank SinoPac will continue to engage in industry-academia talent exchange to demonstrate the value of financial innovation to the younger generation and fulfill corporate social responsibility.
- (17) Bank SinoPac aims at building a data platform using innovative models and applications such as artificial intelligence and machine learning. In addition, Bank SinoPac will improve the accuracy of interaction with customers to enhance personalized service experience. Streamlined, user-friendly, and well-established digital financial services will be provided using multiple identity verification methods. Meanwhile, Bank SinoPac will accelerate agility in the development of innovative services and improve the scalability of information infrastructure via cloud service platforms, in order to ensure the sustainability of its businesses.
- (18) In response to the challenges brought on by the rapid growth in global technology development and its related financial demands, Bank SinoPac will continue to partner with National Cheng Kung University to jointly explore and develop "the pattern of future life in financial fields" in an effort to apply the lessons learned from the branches' practical operations and integrate them into the optimization of business developments and strategies. These optimizations are intended to enhance the quality of Bank SinoPac's risk management and drive the transformation of development techniques and corporate digitization. Through AI, natural language processing (NLP), big data, machine learning, and image recognition, Bank SinoPac aims at improving its risk assessment and risk prediction processes, effectively expanding competitive investment portfolios, and reducing repetitive work. Ultimately, these enhancements strive to increase Bank SinoPac's market competitiveness by implementing customer-centric precision marketing and creating a more customer-oriented service model.

IV. Short-term and Long-term Business Development Plans

A. Corporate Banking

1. Short-term Business Development Plans

- (1) Maximizing the strengths of Bank SinoPac's branches throughout Taiwan to deepen the relationship with existing customers and explore new corporate customers; managing asset quality effectively while striving for expansion of the lending business and ensuring stable profits.
- (2) Enlarging Bank SinoPac's deposits, loan scales and market shares domestically and abroad; accepting deposits from new customers constantly and increasing demand deposits of enterprises



to lower the cost of funds; and adopting a target oriented approach toward asset and liability management to minimize the structural risk.

- (3) Grasping refinancing needs to enhance quality and expand quantity of syndicated loans arranged by Bank SinoPac; intensifying the collection of market information on Southeast Asian countries, and developing cross-border syndicated loans for Taiwanese businesses or participating in international syndicated loans for local enterprises with high credit rating via overseas branches' platforms and cooperation with other banks; expanding syndicated loans relating to solar power plants or other green energy in line with the government's green energy policy; and selectively taking part in syndicated loans for M&A activities.
- (4) Continuing to expand factoring platforms; collaborating with several world-renowned credit guarantee agencies and international receivables organizations like Factors Chain International (FCI) to assume the credit risk of domestic or overseas buyers on behalf of corporate customers, providing them financing services, and promoting trade-based factoring services; helping SMEs boost export competitiveness and spur sales growth.
- (5) Enhancing integrated products and services for corporate customers and equipping corporate Internet banking with enhanced electronic functions, such as providing 24-hour remittance service using Financial eXtensible Markup Language (FXML), so that customers can use fund management services more conveniently and efficiently.
- (6) Improving online financial services and overseas functions for corporate customers and establishing the standard service model for each customer base for the quick reproduction of business models.
- (7) Expanding payment services abroad. For example, Bank SinoPac provides virtual account collection services in Vietnam and online salary transfer services in Hong Kong.
- (8) In order to realize the mechanism for managing environmental, social, and governance risks in large-scale project financing cases, Bank SinoPac signed the Equator Principles (EPs) and became the 102th bank to join the Equator Principles Financial Institutions (EPFIs), so that coworkers in corporate banking can evaluate the impact of project financing cases on the environment and society in accordance with international standards. Complying with the EPs has become the DNA of the loan business in corporate banking.
- (9) In order to advance "responsible lending" and enhance climate resilience, Bank SinoPac not only has formulated guidelines to avoid engaging in controversial and sensitive industries and an industry watch list, but also complies with management frameworks, such as the Task Force on Climate-related Financial Disclosure (TCFD) and the Carbon Disclosure Project (CDP) to determine whether customers evaluate and respond to risks and opportunities arising from climate change. Furthermore, Bank SinoPac has identified ESG risks in industries or activities with "high carbon emissions," as well as recommended or encouraged customers to provide their greenhouse gas emission data and low-carbon transformation strategy and plan or establish a science-based target initiative (SBTi), or communicated with stakeholders via a questionnaire survey on climate change issues, in order to achieve the goal of keeping global warming under 2 degrees Celsius as set out in "SDG 13 - Climate Action" and the Paris Agreement.

- (10) In order to implement the "Green Finance Action Plan 2.0" and continuously strengthen ESG risk assessment tools, Bank SinoPac has incorporated the TEJ CSR Dashboard provided by the Taiwan Economic Journal (TEJ). In November 2020, both Bank SinoPac and TEJ hosted a press conference on the "Integrated ESG Information Search Platform," in hopes of using Bank SinoPac's practical experience in including ESG factors in loans and investment decision-making to assist TEJ in organizing scattered information from its CSR database into a graphic-based dashboard, so that users can quickly obtain a full picture of the ESG performance and risks of companies listed on TWSE and TPEx. This platform provides domestic financial institutions with a set of ESG-linked loans and investment decision-making assessment tools to raise awareness about the importance of ESG issues among companies and investors and exert a positive influence in ESG issues.
- (11) Integrating and using Bank SinoPac's resources of onshore and offshore channels to reinforce cooperation among branches and subsidiaries in Taiwan and abroad and widen relationships with ethnic Chinese businesses; making Ho Chi Minh City, the economic hub of Vietnam, as its base to further penetrate the other ASEAN markets; establishing a team in charge of overseas needs and business opportunities for overseas customers; and maximizing the platform value and synergy of cross-selling to boost earnings from overseas corporate banking.

2. Long-term Business Development Plans

- (1) With the goal of becoming the best cross-border financial service provider for corporate customers, Bank SinoPac will actively integrate resources to establish all-rounded overseas business platforms while expanding businesses domestically and internationally as well as continuously strengthening business performance.
- (2) Drawing on Bank SinoPac's overall resources to consolidate all business lines under a customer-oriented organizational structure; providing enterprises one-stop and tailor-made solutions catering to financial needs ranging from fundraising, plant construction to operations; and integrating corporate banking services vertically.
- (3) Combining corporate banking business management and credit risk management to develop advanced risk quantitative techniques and install a credit database, which are applicable to pricing, dynamic risk control, decision-making, and performance management; establishing and optimizing a credit loan early warning system that facilitates the control of changes in the credit risks and the countermeasures to be taken in due time.
- (4) Consolidating the fund management of corporate customers through online and offline services and action plans, including electronic banking, cash management, and corporate deposit equipment, to improve customer satisfaction.
- (5) Establishing tuition fee collection services to expand the scope of financial services.
- (6) Developing a corporate Internet banking app to satisfy corporate customers' needs for mobile and cross-border financial services and quick access to such services.
- (7) Bank SinoPac plans to automatically populate risk parameters for SMEs to streamline the production of credit reports. Furthermore, Bank SinoPac plans to divert the process based on the type of



customers and standard product portfolios to classify risks and speed up credit investigation for SMEs. In addition, Bank SinoPac aims at studying and formulating plans to replace manual editing of financial statements with automated scanning to improve the efficiency of credit investigation and accuracy of data, while developing financial forecasting models and conducting comparative analysis of the financial data of customers of similar size to improve risk control in its entirety.

- (8) In recent years, Bank SinoPac has invested resources in checking the completeness and compliance of customers' credit information. In December 2019, it received the "Outstanding Credit Inquiry Award" from the Joint Credit Information Center. In the future, Bank SinoPac aims at improving its control over credit information and quality of credit reports and winning the "Golden Security Award and Golden Quality Award," with a view to complying with the "Principles for Financial Service Industries to Treat Clients Fairly" and protecting customers' credit information.
- (9) With a view to practicing "responsible finance" and observing the best practices, Bank SinoPac continues to set up the "Integrated ESG Information Search Platform" to collect complete information on the following: 1. environmental risks: air and water pollution data, biodiversity, waste treatment, energy management, and compliance with environmental protection regulations; 2. social risks: human rights issues, occupational safety and health, community relations, labor relations, and supplier management; 3. governance risks: corporate governance, ethical management, internal control, and anti-corruption, so as to fully disclose ESG information and include them in credit and loan guidelines. Moreover, Bank SinoPac will also study and formulate the methodology to assess and grade ESG risks as the basis for assessment in the credit review process.
- (10) Bank SinoPac will continuously develop new operations; consolidate resources and competitive advantages of domestic and overseas retail channels with the cross-selling platforms to make further inroads into corporate banking, wealth management, financial markets, and interbank business; and provide more local and global financial services across three major financial centers in Asia (Hong Kong, Shanghai, and Singapore) for ethnic Chinese businesses around the world via optimized electronic banking systems.
- (11) Bank SinoPac will actively provide continuous training, recruit talents with international standing, and formulate long-term career development plans to support upcoming overseas expansion and enhance overall competitiveness.

B. Retail Banking

1. Short-term Business Development Plans

- (1) Developing diversified products to meet the needs of potential target customers.
- (2) Deepening relationships with existing customers and increasing the number of products undertaken to expand fee income.
- (3) Promoting digital transformation to provide all-round financial services.
- (4) Promoting various mobile payment methods aggressively to provide customers a more convenient way to pay bills.
- (5) Increasing strategic partners to develop an ecosystem that combines consumption and finance.

2. Long-term Business Development Plans

- (1) Helping channels serve more quality and high-net-worth customers in accordance with the competent authority's policies and under the business guidelines of "Stable Operations, Risk Diversification, Asset Quality Assurance and ROA Maintenance."
- (2) Providing convenient, and comprehensive financial services, and additional value based on customer needs, thereby maintaining customer loyalty and building long-term relationships.
- (3) Maintaining stable growth in the business scope and using the strength of retail channels to enhance customers' lifelong value and sales contribution, thereby further growing profits and boosting operating performance constantly.
- (4) Promoting products and undertaking other publicity events through electronic media, radio and the internet, so as to boost Bank SinoPac's visibility in the retail banking business and enhance the effectiveness of advertising and promotions.

C. Wealth Management

1. Short-term Business Development Plans

- (1) Developing a business model oriented to customers' demands to become customers' ideal brand for stable wealth accumulation; obtaining an in-depth understanding of customers' needs and risk tolerance; and offering asset allocation services that pay equal attention to risks and returns.
- (2) Offering a diverse range of products and carefully selecting new types of themed trusts or featured products for high-net-worth customers to fully meet customers' asset allocation needs.
- (3) Strengthening the professional competence of teams and providing integrated financial services to enhance customer stickiness toward Bank SinoPac.
- (4) Adopting a data-centric approach by building a data analysis platform, as well as providing customers with complete consultation and corresponding after-sales service based on customer inventory and transaction records using AI.
- (5) Continuously innovating products or services and providing customers integrated investment management plans, including the introduction of investment portfolio tools, integration of customers' needs, investment research and analysis, product portfolio, and risk management; as well as refining wealth management counseling services to help customers seize investment opportunities in the market.
- (6) Planning to set up a trust business seed program in various channels and units and conduct a training program on a variety of trust products, such as real estate, eldercare, and securities, to increase customer reach in trust services; assisting companies at different development stages in applying various kinds of employee rewards and compensation to retain and recruit talents by further promoting employees benefit trust as the third pillar for employee retirement; as well as continuously optimizing the employees benefit trust system platform and updating product design to become the best trust partner for company growth.
- (7) Constantly improving electronic trading platforms to provide abundant, timely, convenient, and proactive digital wealth management services.



- (8) Upgrading, replacing, and strengthening major system platforms and launching new functions.
- (9) Promoting insurance products featuring asset transfer and tax mitigation to increase protection for family members or elderly customers.
- (10) Cooperating with onshore and offshore product teams and SinoPac Holdings' resources as a whole to develop a variety of wealth management services, provide domestic and overseas customers with tailor-made investment products, and render all-encompassing financial services through diversified channels.

2. Long-term Business Development Plans

- (1) Providing quality products and integrated value-added services.
- (2) Refining the wealth management trading platform and processes in response to the trend of digitalization and intelligentization, thereby enhancing external and internal customers' experience in using such services.
- (3) Establishing a wealth management service mechanism for high-net-worth customers to improve service efficiency.
- (4) Continuously developing a diverse range of products using data and relevant algorithms.
- (5) Developing AI technology to optimize online consultation and services for customers and analysis of customer profiles to understand customer needs more accurately.
- (6) Providing a variety of financial planning and trust services to meet customers' needs for wealth management at each stage of their lives, such as assets preservation, children care, retirement and eldercare, property succession or family wealth inheritance, thereby becoming customers' preferred choice for property inheritance and management.
- (7) Developing highly efficient operations and services and setting up a sound mechanism for risk control and management.
- (8) Offering a wide range of privileges to wealth management customers and serving high-net-worth customers with differentiated services; as well as instilling Bank SinoPac's wealth management image in customers' minds by strengthening customer relationships and customer loyalty, in hopes of increasing customer engagement and stickiness and creating operating synergy.
- (9) Having Hong Kong as a wealth management hub to concentrate on developing mutual funds, insurance, and structured products, as well as exploring new customers and business opportunities among SMEs that focus on owners' financial management and expanding the wealth management business in private banking through the integration of onshore and offshore products and services.

D. Financial Markets

1. Short-term Business Development Plans

- (1) Strengthening teamwork between Treasury Marketing Unit and other departments in developing customer-oriented, differentiated portfolios, services and strategies helping branches create synergy by providing different customer segments with investment and hedging strategies most suitable to their asset and liability profile, so as to expand the source of stable profits by deepening and broadening business relationships with customers.

- (2) Providing real-time integrated information with regard to investment positions and putting in place an effective trading risk and internal risk management mechanism, thereby enabling traders to engage in cross-instrument hedging and boosting their ability of market making.
- (3) Diversifying investments by expanding investment targets to adjust the profit structure and hit profit targets of proprietary trading and further deepening collaboration between domestic and overseas financial and business collaboration to improve trading performance.
- (4) Adjusting and implementing trading regulations and procedures according to amendments of regulations and strengthening risk control and management.
- (5) Benefiting by Hong Kong's status as an international financial center to develop innovative financial instruments that take account of both risks and returns; taking advantage of the CFETS (China Foreign Exchange Trade System) certification and by participating in main international market platforms, to improve competitiveness in offshore RMB market and strive for more cross-border hedge business; and adopting active trading strategies and maximizing overall capital utilization to stabilize capital positions and improve the profitability of foreign exchange operations.

2. Long-term Business Development Plans

- (1) Developing a wide array of products and platforms that come with meticulously differentiated packaging to fulfill customer needs for hedging and investment.
- (2) Optimizing trading systems, and, through the development of systematic financial analysis models and the seeking of a sounder version of consistent operating procedures across front office, middle office, and back office in the long run, bringing in high value-added trades that contribute to earnings as well as enhancing the competitiveness of Bank SinoPac financial products.
- (3) Endeavoring to advance expertise of financial teams and management of regional market trends in the hope of creating new business opportunities over the course of business expansion.
- (4) Constantly developing financial hedging products to meet target customer demands and striving to enter into strategic alliances with high-quality banks in Hong Kong and Mainland China to fully seize RMB business opportunities derived.
- (5) Enhancing professional training for the marketing personnel on financial products; continuing to take proactive stance in setting up the offshore trading platform for RMB; developing RMB futures market making business and multi-currency business to increase revenue from exchange gain and fee income; integrating the resources of Bank SinoPac in joint business development; and broadening the bases of existing customers and new customers in financial transaction services for more business opportunities.
- (6) Using AI technologies such as machine learning and deep learning to reduce the proportion of subjective transactions and stabilize the fluctuation of profit and loss through multiple quantitative trading strategies including stocks, foreign exchanges, bonds and derivative. Establishing a financial market database, developing and back-testing program modules, and implementing quantitative trading strategies based on daily trading signals. Moreover, developing long-term and deep cultivation of industry-university cooperation with universities, including National Taiwan University,



National Chengchi University, National Cheng Kung University, National Chung Hsing University, and planning to publish papers in major domestic and foreign journals in the future.

E. Digital Banking

1. Short-term Business Development Plans

- (1) Bank SinoPac will continuously expand mobile payment sites and payment partners at home and abroad to strengthen online and offline receipt and payment products and build a cross-industry ecosystem.
- (2) Bank SinoPac will adopt "simplicity" and "time-saving" in the design of its products for digital customers and push for the optimization and transformation of the front office, middle office and back office of Bank SinoPac to support a more complete user experience through digitalization.
- (3) Bank SinoPac aims at optimizing personalized electronic banking with big data and AI-assisted models to enhance customer stickiness, and providing tailor-made financial services for customers to improve customer satisfaction.
- (4) Bank SinoPac will continue to optimize digital platforms, implement information security procedures and regulations, and provide comprehensive functions, such as online application and trading, through a variety of innovative and convenient identity verification mechanisms, in order to offer secure and user-friendly digital banking services.
- (5) Bank SinoPac will improve its digital banking services for overseas customers to meet customers' needs for mobile trading, thereby making a breakthrough by overcoming restrictions in the financial services landscape overseas.
- (6) Bank SinoPac constantly focuses on Partner APIs development and partnership on E-commerce, tourism, retail, and medical services to meet various financial needs of customers.

2. Long-term Business Development Plans

- (1) Improving data governance, comprehensively utilizing behavioral and transaction data to obtain a 360-degree view of customers, linking data through labeling and diversion in customer management, building an analysis framework for smart operation, managing digital customers, and offering precision marketing contents to provide a personalized service experience.
- (2) Building a customer-centric UI/UX design for its digital banking platform to satisfy customers' needs for mobile-first, personalized, and data-drive financial services, and integrating emerging technologies to improve cross-selling and penetration on its digital banking platform.
- (3) Establishing a big data platform for data analysis and forecasting. With AI technology, Bank SinoPac aims at integrating online and offline resources to improve user experience through smart operations and referrals.
- (4) Expanding the application of Partner APIs through open banking, including consumption, identity verification, financial information, and bill payment services, and promoting APIs in cooperation with Financial Information Services Co., Ltd. to achieve financial innovation.

Financial Reports

I. Condensed Five-year Financial Statements

Consolidated Balance Sheets					In NT\$ millions	
Items		2016	2017	2018	2019	2020
Cash and cash equivalents, due from the central bank and call loans to other banks		164,706	119,498	110,058	159,160	166,742
Financial assets at fair value through profit or loss		59,381	70,615	49,834	52,044	56,154
Financial assets at fair value through other comprehensive income		-	-	205,643	238,896	339,734
Investments in debt instruments measured at amortized cost		-	-	93,541	137,941	162,369
Securities purchased under resell agreements		7,862	23,553	22,710	30,517	50,648
Receivables, net		35,623	43,555	48,087	45,796	49,061
Current tax assets		1,393	1,411	1,399	1,421	1,205
Discounts and loans, net		889,038	865,990	919,303	999,554	1,140,986
Available-for-sale financial assets, net		238,315	227,095	-	-	-
Held-to-maturity financial assets, net		78,132	56,608	-	-	-
Investments accounted for using the equity method, net		54	-	-	-	-
Other financial assets, net		13,848	7,253	17,455	10,725	7,877
Property and equipment, net		9,135	8,977	9,211	9,504	9,778
Right-of-use asset, net		-	-	-	2,230	2,375
Investment property, net		1,247	1,207	1,242	1,084	1,047
Intangible assets, net		1,888	1,326	1,324	1,439	1,503
Deferred tax assets, net		2,551	1,741	1,482	1,379	1,411
Other assets, net		2,480	4,379	4,032	4,126	3,746
Total assets		1,505,653	1,433,208	1,485,321	1,695,816	1,994,636
Deposits from the central bank and banks		29,855	29,621	37,965	53,818	75,515
Due to the central bank and banks		-	-	-	-	80
Financial liabilities at fair value through profit or loss		21,085	20,313	19,767	16,713	22,892
Derivative financial liabilities for hedging		20	-	-	-	-
Securities sold under repurchase agreements		1,837	26,179	25,505	9,083	3,701
Payables		16,884	16,577	17,694	16,577	19,073
Current tax liabilities		565	552	491	924	442
Deposits and remittances		1,255,712	1,154,487	1,195,974	1,388,841	1,659,951
Bonds Payable		41,779	39,570	32,723	33,020	45,078
Other financial liabilities		12,370	12,256	19,212	34,249	16,167
Provisions		2,849	2,711	2,975	2,924	3,213
Lease liabilities		-	-	-	2,219	2,374
Deferred tax liabilities		961	747	873	837	772
Other liabilities		2,014	5,193	3,060	2,943	5,712
Total liabilities	Ex-dividends	1,385,931	1,308,206	1,356,239	1,562,148	1,854,970
	Post-dividends	1,388,431	1,313,610	1,362,870	1,569,330	Note2
Share capital	Ex-dividends	83,954	86,061	86,061	86,061	86,061
	Post-dividends	86,061	86,061	86,061	86,061	Note2
Capital surplus		12,148	12,148	12,148	12,148	12,148
Retained earnings	Ex-dividends	23,777	26,959	30,904	34,467	36,879
	Post-dividends	19,170	21,555	24,273	27,285	Note2
Other equity		(157)	(166)	(31)	992	4,578
Total equity	Ex-dividends	119,722	125,002	129,082	133,668	139,666
	Post-dividends	117,222	119,598	122,451	126,486	Note2

Note1 : The financial statements for each year were audited by CPA. There is no audited or reviewed Bank SinoPac and its subsidiaries financial statements in 2021 before the date of printing.

Note2 : The appropriation of the 2020 earnings is subject to the approval of the board of directors which execute the rights and functions of the stockholders' meeting in 2021.



Consolidated Statements of Comprehensive Income

In NT\$ millions, except Earnings Per Share

Items	2016	2017	2018	2019	2020
Interest revenue	24,849	25,310	27,223	31,615	29,414
Less : Interest expense	9,983	10,523	12,397	16,634	12,259
Net interest	14,866	14,787	14,826	14,981	17,155
Net revenues other than interest	8,481	8,568	10,354	12,345	10,792
Total net revenues	23,347	23,355	25,180	27,326	27,947
Bad debts expense, commitment and guarantee liability provision	1,405	1,024	760	1,048	2,333
Operating expenses	13,922	13,268	13,125	14,249	14,594
Income (loss) from continuing operations before income tax	8,020	9,063	11,295	12,029	11,020
Income tax (expense) profit	(1,162)	(1,167)	(1,621)	(1,738)	(1,266)
Income from continuing operations after income tax	6,858	7,896	9,674	10,291	9,754
Net Income	6,858	7,896	9,674	10,291	9,754
Other comprehensive income, net of income tax	(1,254)	(116)	(758)	926	3,426
Total comprehensive income	5,604	7,780	8,916	11,217	13,180
Profit (loss), attributable to owners of parent	6,858	7,896	9,674	10,291	9,754
Comprehensive income, attributable to owners of parent	5,604	7,780	8,916	11,217	13,180
Earnings Per Share (in NT\$ dollar)(Note2)	0.81	0.92	1.12	1.20	1.13

Note1 : The financial statements for each year were audited by CPA. There is no audited or reviewed Bank SinoPac and its subsidiaries financial statements in 2021 before the date of printing.

Note2 : Earnings per share are retroactively adjusted with earnings recapitalization.

Balance Sheets

In NT\$ millions

Items		2016	2017	2018 (Note3)	2019	2020
Cash and cash equivalent, due from the central bank and call loans to other banks, net		138,673	105,027	97,247	151,747	156,629
Financial assets at fair value through profit or loss		59,036	70,344	49,068	51,358	54,336
Financial assets at fair value through other comprehensive income		-	-	202,687	230,054	330,629
Investments in debt instruments measured at amortized cost		-	-	93,540	137,941	162,369
Securities purchased under resell agreements		7,862	23,553	22,710	30,517	50,648
Receivables, net		35,435	43,429	48,000	43,834	44,962
Current tax assets		1,375	1,378	1,395	1,417	1,200
Discounts and loans, net		855,585	852,723	904,615	977,951	1,110,760
Available-for-sale financial assets, net		236,784	225,004	-	-	-
Held-to-maturity financial assets, net		76,738	56,607	-	-	-
Investment accounted for using the equity method, net		23,070	11,868	10,931	9,943	9,683
Other financial assets, net		12,371	7,010	16,994	10,725	7,877
Property and equipment, net		8,955	8,816	8,756	9,092	9,387
Right-of-use assets, net		-	-	-	2,173	2,192
Investment properties, net		1,294	1,254	1,250	1,084	1,047
Intangible assets, net		1,281	1,243	1,231	1,345	1,391
Deferred tax assets, net		1,676	1,666	1,449	1,323	1,344
Other assets, net		2,418	4,046	3,993	4,097	3,711
Total assets		1,462,553	1,413,968	1,463,866	1,664,601	1,948,165
Deposits from the central bank and banks		29,217	26,810	34,517	48,749	71,437
Due to the central bank and banks		-	-	-	-	80
Financial liabilities at fair value through profit or loss		21,085	20,288	19,737	16,010	20,493
Securities sold under repurchase agreements		1,837	26,179	25,504	8,227	3,701
Payables		15,878	16,224	17,318	14,537	15,159
Current tax liabilities		352	500	485	882	442
Deposits and remittances		1,215,786	1,138,560	1,180,637	1,369,484	1,630,234
Bonds Payable		41,779	39,570	32,722	33,020	45,078
Other financial liabilities		11,401	12,256	17,013	31,225	10,042
Provisions		2,721	2,699	2,941	2,901	3,197
Lease liabilities		-	-	-	2,160	2,203
Deferred tax liabilities		872	707	863	813	754
Other liabilities		1,903	5,173	3,047	2,925	5,679
Total liabilities	Ex-dividends	1,342,831	1,288,966	1,334,784	1,530,933	1,808,499
	Post-dividends	1,345,331	1,294,370	1,341,415	1,538,115	(Note2)
Share capital	Ex-dividends	83,954	86,061	86,061	86,061	86,061
	Post-dividends	86,061	86,061	86,061	86,061	(Note2)
Capital surplus		12,148	12,148	12,148	12,148	12,148
Retained earnings	Ex-dividends	23,777	26,959	30,904	34,467	36,879
	Post-dividends	19,170	21,555	24,273	27,285	(Note2)
Other equity		(157)	(166)	(31)	992	4,578
Total equity	Ex-dividends	119,722	125,002	129,082	133,668	139,666
	Post-dividends	117,222	119,598	122,451	126,486	(Note2)

Note1 : The financial statements for each year were audited by CPA. There is no audited or reviewed Bank SinoPac financial statements in 2021 before the date of printing.

Note2 : The appropriation of the 2020 earnings is subject to the approval of the board of directors which execute the rights and functions of the stockholders' meeting in 2021.

Note3 : With the consolidation of Bank SinoPac and SinoPac Life Insurance Agent Co., Ltd. on Aug. 1, 2019, Bank SinoPac has restated the 2018 financial statements retrospectively. Above balance sheets in 2018 was shown with restated numbers.

**Statements of Comprehensive Income**

In NT\$ millions, except Earnings Per Share

Items	2016	2017	2018 (Note3)	2019	2020
Interest revenue	22,956	23,848	26,165	30,224	27,908
Less : Interest expense	9,656	10,166	11,926	15,966	11,558
Net interest	13,300	13,682	14,239	14,258	16,350
Net revenues other than interest	8,400	8,406	10,160	12,293	10,785
Total net revenues	21,700	22,088	24,399	26,551	27,135
Bad debts expense, commitment and guarantee liability provision	1,390	1,003	695	1,004	2,212
Operating expenses	12,535	12,285	12,501	13,562	13,909
Income (loss) from continuing operations before income tax	7,775	8,800	11,203	11,985	11,014
Tax income (expense)	(917)	(904)	(1,529)	(1,694)	(1,260)
Income from continuing operations after income tax	6,858	7,896	9,674	10,291	9,754
Profit (loss)	6,858	7,896	9,674	10,291	9,754
Other comprehensive income, net of tax	(1,254)	(116)	(758)	926	3,426
Total comprehensive income	5,604	7,780	8,916	11,217	13,180
Earnings Per Share (in NT\$ dollar)(Note2)	0.81	0.92	1.12	1.20	1.13

Note1 : The financial statements for each year were audited by CPA. There is no audited or reviewed Bank SinoPac financial statements in 2021 before the date of printing.

Note2 : Earnings per share are retroactively adjusted with earnings recapitalization.

Note3 : With the consolidation of Bank SinoPac and SinoPac Life Insurance Agent Co., Ltd. on Aug. 1, 2019, Bank SinoPac has restated the 2018 financial statements retrospectively. Above statements of comprehensive income in 2018 was shown with restated numbers.

Domestic Major Economic Indicators

Items		2020	2019	2018	2017	2016
National income (US\$ millions)						
GDP		669,321	612,109	609,251	590,780	543,002
GDP per capital (in US\$)		28,383	25,941	25,838	25,080	23,091
Economic growth rate (GDP)		3.11%	2.96%	2.79%	3.31%	2.17%
Foreign trade (US\$ millions)						
Export		345,210	329,157	334,007	315,487	279,175
Import		285,817	285,651	284,792	257,200	229,199
Trade surplus		59,394	43,505	49,216	58,287	49,975
Price indexes (YoY%)						
Consumer price Index		-0.24%	0.56%	1.35%	0.62%	1.39%
Wholesale price Index		-7.77%	-2.26%	3.63%	0.89%	-2.98%
Money supply (YoY%)						
Annual growth in M2		5.84%	3.46%	3.52%	3.75%	4.51%
Annual growth in M1b		10.33%	7.15%	5.32%	4.65%	6.33%
Annual growth in M1a		10.72%	6.60%	6.78%	3.29%	7.11%
Key interest rates (end of period)						
Rates of central bank						
Discounted rate		1.13%	1.38%	1.38%	1.38%	1.38%
Rate on accommodations with collateral		1.50%	1.75%	1.75%	1.75%	1.75%
Interbank call loan market						
Weighted average of overnight		0.10%	0.18%	0.18%	0.18%	0.19%
Stock market (NT\$)						
Weighted Stock Index (TAIEX)	Average	12047.33	10757.87	10619.74	10183.97	8746.69
	Year-end	14732.53	11997.14	9727.41	10642.86	9253.5
Daily average trading value (NT\$ billions)		200.7	140.8	152.9	104.9	77.5
Foreign exchange (US\$ millions)						
Foreign exchange reserve		494,389	468,070	458,610	443,355	433,088
Exchange rate (NT\$/US\$)	Average	29.583	30.922	30.165	30.438	32.313
	Year-end	28.508	30.106	30.733	29.848	32.379
Balance of payment		19,264	13,937	14,231	16,899	14,044
Others						
Industrial production index (YoY%)		7.33%	-0.33%	3.66%	2.91%	1.53%
Unemployment rate (%)		3.85%	3.73%	3.71%	3.76%	3.92%
Population		23,561	23,603	23,589	23,571,227	23,539,816

Appendix I

Bank SinoPac and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the Companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

BANK SINOPAC

March 12, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholder
Bank SinoPac

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and the guidelines issued by the authorities.

Basis for Opinion

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

Key Audit Matters

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

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

Estimated Impairment of Discounts and Loans

The management assesses, estimates and recognizes impairment of discounts and loans collectively at the higher amount determined according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans ("the Procedures") endorsed by the Financial Supervisory Commission (FSC) and according to International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). According to the Procedures, the management estimates impairment of discounts and loans based on the overdue loans classified by loan term and situation of pledged collateral. According to IFRS 9, impairment of discounts and loans is estimated based on assumptions of probability of default and loss given default based on historical experience, current market situation and forward-looking information. Assessment of evidence of probable default and credit impairment, whether the credit risk has increased significantly since the original recognition (including the adoption of forward-looking factors), and the assessment of the methodology and assumptions used for estimating impairment and the estimation of the amount and timing of future cash flows require critical judgments and estimates. The estimated provision for impairment of discounts and loans calculated according to either the Procedures or IFRS 9 has a significant impact on the consolidated financial statements. Therefore, the estimation of impairment of discounts and loans is identified as a key audit matter for the year ended December 31, 2020.

Refer to Notes 4, 5 and 44 to the accompanying consolidated financial statements for the relevant accounting policies, judgments for estimations, estimation uncertainty and other related disclosures of the estimated impairment of discounts and loans.

Our key audit procedures performed in respect of the above area included the following:

We understood and assessed management's impairment assessment practices, accounting policies and related internal control procedures for discounts and loans and evaluated whether the classification of loan assets complied with the Procedures. In addition, we evaluated whether overdue loans, situation of pledged collateral, and the provision for impairment of discounts and loans complied with the related regulation issued by the authorities. We also evaluated whether the methodology, assumptions and inputs used in the impairment assessment conform to the IFRS 9 impairment model and appropriately reflected the actual outcome. We tested samples of discounts and loans to verify their rationality.

Other Matter

We have also audited the parent company only financial statements of Bank SinoPac as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Mei-Hui Wu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2021

Notice to Readers

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

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS, NET (Notes 4 and 6)	\$ 26,857,790	1	\$ 16,621,544	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET (Notes 7, 40 and 41)	139,884,559	7	142,538,839	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)	56,153,855	3	52,044,390	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9 and 40)	339,734,325	17	238,895,566	14
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 41)	162,368,434	8	137,940,760	8
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 11 and 40)	50,648,028	3	30,516,733	2
RECEIVABLES, NET (Notes 4, 12 and 40)	49,061,283	3	45,796,518	3
CURRENT INCOME TAX ASSETS (Notes 4, 29 and 40)	1,205,480	-	1,420,830	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 13, 40 and 41)	1,140,986,052	57	999,554,298	59
OTHER FINANCIAL ASSETS, NET (Notes 14, 40 and 41)	7,876,785	-	10,725,059	1
PROPERTY AND EQUIPMENT, NET (Notes 4, 15, 17 and 40)	9,778,471	1	9,503,802	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 40)	2,374,478	-	2,229,809	-
INVESTMENT PROPERTY, NET (Notes 4 and 17)	1,047,154	-	1,083,638	-
INTANGIBLE ASSETS, NET (Notes 4, 18 and 40)	1,502,538	-	1,439,487	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 29)	1,411,103	-	1,379,192	-
OTHER ASSETS, NET (Notes 19 and 40)	3,745,491	-	4,125,658	-
TOTAL	\$ 1,994,635,826	100	\$ 1,695,816,123	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 20 and 40)	\$ 75,514,370	4	\$ 53,818,502	3
DUE TO THE CENTRAL BANK AND BANKS	80,380	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)	22,891,818	1	16,713,074	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10, 11 and 21)	3,701,323	-	9,082,627	1
PAYABLES (Notes 4, 22, 27, 36 and 40)	19,072,310	1	16,576,832	1
CURRENT INCOME TAX LIABILITIES (Notes 4, 29 and 40)	441,804	-	924,439	-
DEPOSITS AND REMITTANCES (Notes 23 and 40)	1,659,951,067	83	1,388,840,551	82
BANK DEBENTURES (Notes 24 and 40)	45,078,282	2	33,019,751	2
OTHER FINANCIAL LIABILITIES (Note 25)	16,167,082	1	34,249,370	2
PROVISIONS (Notes 4, 26 and 27)	3,213,131	-	2,923,825	-
LEASE LIABILITIES (Notes 4, 16 and 40)	2,374,065	-	2,219,223	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 29)	772,057	-	836,793	-
OTHER LIABILITIES (Notes 28 and 40)	5,711,865	1	2,943,119	-
Total liabilities	1,854,969,554	93	1,562,148,106	92
EQUITY				
Capital stock				
Common stock	86,061,159	4	86,061,159	5
Capital surplus				
Additional paid-in capital in excess of par	4,001,872	-	4,001,872	-
Capital surplus from business combination	8,076,524	1	8,076,524	1
Others	69,244	-	69,244	-
Total capital surplus	12,147,640	1	12,147,640	1
Retained earnings				
Legal reserve	26,912,280	1	23,853,943	1
Special reserve	373,453	-	418,897	-
Unappropriated earnings	9,593,897	1	10,194,458	1
Total retained earnings	36,879,630	2	34,467,298	2
Other equity	4,577,843	-	991,920	-
Total equity	139,666,272	7	133,668,017	8
TOTAL	\$ 1,994,635,826	100	\$ 1,695,816,123	100

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME	\$ 29,413,581	105	\$ 31,615,456	116	(7)
INTEREST EXPENSES	<u>(12,258,983)</u>	<u>(44)</u>	<u>(16,634,302)</u>	<u>(61)</u>	(26)
NET INTEREST REVENUE (Notes 4, 31 and 40)	<u>17,154,598</u>	<u>61</u>	<u>14,981,154</u>	<u>55</u>	15
NET REVENUES OTHER THAN INTEREST (Note 4)					
Service fee income, net (Notes 32 and 40)	6,705,939	24	5,992,661	22	12
Gains on financial assets and liabilities at fair value through profit or loss, net (Notes 33 and 40)	1,501,951	6	4,225,325	15	(64)
Realized gains on financial assets at fair value through other comprehensive income (Notes 34 and 40)	1,202,946	4	680,218	3	77
Loss arising from derecognition of financial assets measured at amortized cost	(3,706)	-	(2,322)	-	60
Foreign exchange gains (losses)	1,493,308	5	782,457	3	91
(Impairment loss on assets) reversal of impairment loss on assets (Notes 5 and 14)	(496,084)	(2)	100,399	-	(594)
Gain on disposal of subsidiary (Note 12)	207,310	1	327,628	1	(37)
Net other revenue other than interest income (Notes 35 and 40)	<u>180,903</u>	<u>1</u>	<u>238,538</u>	<u>1</u>	(24)
Net revenues other than interest	<u>10,792,567</u>	<u>39</u>	<u>12,344,904</u>	<u>45</u>	(13)
NET REVENUE	<u>27,947,165</u>	<u>100</u>	<u>27,326,058</u>	<u>100</u>	2
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 5, 6, 7, 12, 13, 14, 19 and 26)	<u>(2,332,577)</u>	<u>(9)</u>	<u>(1,047,965)</u>	<u>(4)</u>	123

(Continued)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 26, 36 and 40)	\$ (8,862,520)	(31)	\$ (8,472,914)	(31)	5
Depreciation and amortization expense (Notes 4, 16, 37 and 40)	(1,328,679)	(5)	(1,318,103)	(5)	1
Other general and administrative expenses (Notes 38 and 40)	<u>(4,403,076)</u>	<u>(16)</u>	<u>(4,458,555)</u>	<u>(16)</u>	(1)
Total operating expenses	<u>(14,594,275)</u>	<u>(52)</u>	<u>(14,249,572)</u>	<u>(52)</u>	2
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX	11,020,313	39	12,028,521	44	(8)
INCOME TAX EXPENSE (Notes 4 and 29)	<u>(1,266,213)</u>	<u>(4)</u>	<u>(1,737,534)</u>	<u>(6)</u>	(27)
NET INCOME	<u>9,754,100</u>	<u>35</u>	<u>10,290,987</u>	<u>38</u>	(5)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	(209,415)	(1)	(120,661)	(1)	74
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income (Note 30)	1,037,082	4	279,244	1	271
Change in fair value of financial liability attributable to change in credit risk of liability (Note 30)	(14,301)	-	(60,206)	-	(76)
Income tax related to items that will not be reclassified to profit or loss (Notes 4, 29 and 30)	<u>41,883</u>	<u>-</u>	<u>24,132</u>	<u>-</u>	74
Items that will not be reclassified to profit or loss	<u>855,249</u>	<u>3</u>	<u>122,509</u>	<u>-</u>	598

(Continued)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that will be reclassified to profit or loss:					
Exchange differences on translation of foreign operations (Note 30)	\$ 109,809	-	\$ (342,001)	(1)	132
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (Note 30)	2,462,663	9	1,103,881	4	123
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4, 29 and 30)	(2,001)	-	41,636	-	(105)
Items that will be reclassified to profit or loss	2,570,471	9	803,516	3	220
Other comprehensive income	3,425,720	12	926,025	3	270
TOTAL COMPREHENSIVE INCOME	\$ 13,179,820	47	\$ 11,217,012	41	17
EARNINGS PER SHARE (Note 39)					
Basic	\$ 1.13		\$ 1.20		

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

(Concluded)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Capital Stock (Note 30) Common Stock	Capital Surplus (Note 30)	Retained Earnings (Note 30)			Other Equity (Notes 4 and 30)					
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total	Total Equity	
BALANCE AT JANUARY 1, 2019	\$ 86,061,159	\$ 12,147,640	\$ 21,049,419	\$ 505,700	\$ 9,348,415	\$ 30,903,534	\$ (396,410)	\$ 373,612	\$ (7,836)	\$ (30,634)	\$ 129,081,699
Appropriation and distribution of retained earnings generated in 2018											
Legal reserve	-	-	2,804,524	-	(2,804,524)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(86,803)	86,803	-	-	-	-	-	-
Cash dividends - common stock	-	-	-	-	(6,630,694)	(6,630,694)	-	-	-	-	(6,630,694)
Net income for the year ended December 31, 2019	-	-	-	-	10,290,987	10,290,987	-	-	-	-	10,290,987
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	(96,529)	(96,529)	(273,601)	1,356,361	(60,206)	1,022,554	926,025
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	10,194,458	10,194,458	(273,601)	1,356,361	(60,206)	1,022,554	11,217,012
BALANCE AT DECEMBER 31, 2019	86,061,159	12,147,640	23,853,943	418,897	10,194,458	34,467,298	(670,011)	1,729,973	(68,042)	991,920	133,668,017
Appropriation and distribution of retained earnings generated in 2019											
Legal reserve	-	-	3,058,337	-	(3,058,337)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(45,444)	45,444	-	-	-	-	-	-
Cash dividends - common stock	-	-	-	-	(7,181,565)	(7,181,565)	-	-	-	-	(7,181,565)
Net income for the year ended December 31, 2020	-	-	-	-	9,754,100	9,754,100	-	-	-	-	9,754,100
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	(167,532)	(167,532)	87,847	3,519,706	(14,301)	3,593,252	3,425,720
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	9,586,568	9,586,568	87,847	3,519,706	(14,301)	3,593,252	13,179,820
Disposal of investments in equity instruments designated at fair value through other comprehensive income											
	-	-	-	-	7,329	7,329	-	(7,329)	-	(7,329)	-
BALANCE AT DECEMBER 31, 2020	\$ 86,061,159	\$ 12,147,640	\$ 26,912,280	\$ 373,453	\$ 9,593,897	\$ 36,879,630	\$ (582,164)	\$ 5,242,350	\$ (82,343)	\$ 4,577,843	\$ 139,666,272

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 11,020,313	\$ 12,028,521
Adjustments to reconcile profit:		
Depreciation expenses	1,129,053	1,148,564
Amortization expenses	199,626	169,539
Provision for bad debt expense	2,761,843	1,709,076
Interest expenses	12,258,983	16,634,302
Loss on disposal of financial assets at amortized cost	3,706	2,322
Interest income	(29,413,581)	(31,615,456)
Dividend income	(400,702)	(89,302)
Net change in provisions for guarantee liabilities	108,511	8,203
Net change in other provisions	75,054	(55,543)
Losses on disposal and retirement of property and equipment	16,152	3,900
Property and equipment expense	5	-
Gains on disposal of investments properties	-	(64,973)
Gains on disposal of subsidiary	(207,310)	(327,628)
Impairment loss on financial assets	495,149	-
Reversal of impairment loss on financial assets	-	(100,399)
Impairment loss on non-financial assets	935	-
Net gains on changing in leasing contract	(211)	(45)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(15,601,245)	(6,828,889)
Increase in financial assets at fair value through profit or loss	(4,109,465)	(2,210,383)
Increase in financial assets at fair value through other comprehensive income	(97,365,601)	(31,881,940)
Increase in investments in debt instruments at amortized cost	(24,433,545)	(44,402,005)
Decrease in securities purchased under resell agreements	298,565	211,504
(Increase) decrease in receivables	(808,695)	3,068,268
Increase in discounts and loans	(143,858,822)	(81,870,926)
Decrease in other financial assets	2,381,006	6,909,535
Decrease (increase) in other assets	151,202	(232,038)
Increase in deposits from the Central Bank and banks	21,695,868	15,853,571
Increase (decrease) in financial liabilities at fair value through profit or loss	6,164,443	(3,114,047)
Decrease in securities sold under repurchase agreements	(5,381,304)	(16,421,860)
Increase (decrease) in payables	662,546	(2,835,728)
Increase in deposits and remittances	271,110,516	192,866,397
(Decrease) increase in other financial liabilities	(18,082,288)	15,037,787
Increase (decrease) in provisions for employee benefits	98,425	(3,370)
Increase (decrease) in other liabilities	2,768,746	(117,200)
Net cash (used in) generated from operations	(6,262,122)	43,479,757

(Continued)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Interest received	\$ 29,699,338	\$ 31,762,850
Dividend received	398,729	89,302
Interest paid	(13,327,603)	(15,896,846)
Income tax paid	<u>(1,571,648)</u>	<u>(1,189,689)</u>
Net cash generated from operating activities	<u>8,936,694</u>	<u>58,245,374</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of subsidiary	207,310	327,628
Acquisition of property and equipment	(957,047)	(790,217)
Proceeds from disposal of property and equipment	859	13,551
Acquisition of intangible assets	(103,496)	(176,616)
Acquisition of right-of-use assets	(2,640)	(251)
Acquisition of investment properties	(3,035)	(3,389)
Proceeds from disposal of investment properties	<u>-</u>	<u>97,099</u>
Net cash used in investing activities	<u>(858,049)</u>	<u>(532,195)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in funds borrowed from Central Bank and banks	80,380	-
Bank debentures issued	16,000,000	13,000,000
Repayment of bank debentures payable	(3,940,000)	(12,700,000)
Repayments of lease liabilities	(594,751)	(685,598)
Distribution of cash dividends	<u>(7,181,565)</u>	<u>(6,630,694)</u>
Net cash generated from (used in) financing activities	<u>4,364,064</u>	<u>(7,016,292)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(40,304)</u>	<u>(397,664)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,402,405	50,299,223
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>145,845,606</u>	<u>95,546,383</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 158,248,011</u>	<u>\$ 145,845,606</u>

(Continued)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents in consolidated balance sheets	\$ 26,857,790	\$ 16,621,544
Due from the Central Bank and call loans to banks reclassified as cash and cash equivalents under the definition of IAS 7	80,766,135	99,029,836
Securities purchased under resell agreements reclassified as cash and cash equivalents under the definition of IAS 7	<u>50,624,086</u>	<u>30,194,226</u>
Cash and cash equivalents at the end of year	<u>\$ 158,248,011</u>	<u>\$ 145,845,606</u>

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

(Concluded)

BANK SINOPAC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

August 8, 1991	Bank SinoPac (“the Bank”) obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (SPS) to establish SinoPac Financial Holdings Company Limited (SPH), a financial holding company, resulting in the Bank becoming an unlisted wholly owned subsidiary of SPH, the ultimate parent company of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The board of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. (SinoPac Card). The transaction has been approved by the authorities on June 22, 2006 and the assets have been transferred at the book value of \$5,171,080 on August 4, 2006.
November 13, 2006	The preliminary effective date of the share swap and merger. The Bank acquired the assets and liabilities of IBT through a share swap at ratio of 1.175 shares of the Bank to swap for 1 share of IBT.
June 1, 2009	The Bank’s cash merger with SinoPac Card took effect, with this merger amounting to \$3,873,675. Under this merger, the Bank was the surviving entity.
November 1, 2015	The Bank assumed all of the assets and liabilities of the Ho Chi Minh City Branch of Far East National Bank and renamed this branch Bank SinoPac, Ho Chi Minh City Branch. The transaction price was US\$28,540 thousand.
May 1, 2019	SinoPac Call Center Co., Ltd. (SinoPac Call Center) which is a wholly-owned subsidiary of SPH was cash merged by the Bank. Under this merger, SinoPac Call Center was the dissolved company and the Bank was the surviving entity, assuming all business, assets, liabilities and all rights and obligations.
August 1, 2019	Due to permission, the Bank may also operate within the insurance industry. Then the board of directors of the Bank applied for the qualification to operate as an insurance agency and for the rights to merge SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd., which are both 100% shareholding subsidiaries of the Bank. The Bank is the surviving company, and the two subsidiaries were liquidated.

The Bank’s ultimate parent and controller is SinoPac Holdings, which holds 100% common stock of the Bank.

The functional currency of the Bank is the New Taiwan dollar. The consolidated financial statements of the Bank and its subsidiaries (“the Group”) are presented in New Taiwan dollars.

For the information on consolidated entities, please refer to Note 4.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank's board of directors on March 12, 2021.

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

- a. The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC) for application starting from 2021.

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

As of the date the financial statements were authorized for issue, the Group assessed that the application of the abovementioned standards and interpretations will have no material impact on the Group's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)

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

- Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

The Group assessed that the abovementioned amendments are not expected to have material impact on the Group’s accounting policies. As of the date the financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authority, and IFRSs as endorsed by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, payable for cash-settled share-based payment transaction and net defined benefit liability which is stated at the present value of defined benefit obligation less fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the Banking industry cannot be reasonably identified, the accounts included in the Group's consolidated financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 44 for the maturity analysis of assets and liabilities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e., its subsidiaries). Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation; for related information please refer to Table 2.

The consolidated entities were as follows:

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2020	2019	
Bank SinoPac	Bank SinoPac (China) Ltd.	Commercial bank	100	100	
	SinoPac Insurance Brokers Ltd	Insurance brokerage business	100	100	
SinoPac Capital Limited	SinoPac Capital Limited	-	-	100	Note
	SinoPac Capital (B.V.I.) Ltd.	-	-	100	Note
SinoPac Capital (B.V.I.) Ltd.	RSP Information Service Company Limited	-	-	100	Note

Note: To adjust the investment structure of parent-group, SinoPac Capital Limited, SinoPac Capital (B.V.I.) Ltd. and RSP Information Service Company Limited were dissolved in the period from June to November 2020.

Foreign Currencies

a. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

b. Exchange differences on translation of the financial statements of foreign operations

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (a disposal of the Group's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the Group re-attributes the proportionate share of accumulated exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation, and profit or loss is not recognized. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Cash and Cash Equivalents

Cash and cash equivalent in financial statements includes cash on hand, demand deposits and investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. For the purposes of presenting cash flows, the cash and cash equivalent includes cash and cash equivalents in balance sheets, due from the Central Bank and call loans to banks and securities purchased under resell agreements under IAS 7.

Business Combination

Based on the "IFRS Questions and Answers on IFRS 3: Business combination involving entities or business under common control" issued by the Accounting Research and Development Foundation, the book value is used as the transfer price, and the combined company is regarded to have been combined from the beginning of the period and comparative prior period comparative financial statements are restated based on the materiality.

Financial Instruments

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

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

Financial assets

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

a. Measurement category

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

1) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria. A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 43.

2) Financial assets at amortized cost

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

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

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

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

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

3) Investments in debt instruments at FVTOCI

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI.

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

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

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

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" (the Regulations), the Bank evaluates credit losses on the basis of the estimated collectability of loans. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard credit quality, assets with doubtful collectability, and assets on which there is loss. The Bank evaluates the value of collaterals of specified loans and assesses recoverability of non-performing loans. These will be written off after approved by the board of directors when evaluated as unrecoverable.

Based on the above Regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against the ROC government agencies that require special mentioned, assets that are substandard, assets with doubtful collectability, and assets on which there is loss were 1%, 2%, 10%, 50% and 100%, respectively of outstanding. In addition, under the Financial Supervisory Commission (FSC) Official Letter No. 10010006830, there should be a provision at more than 1% of the sum of the minimum allowance for credit losses and the provision for losses on guarantees.

For enhanced risk management of banks, the FSC issued Official Letter No. 10300329440, which requires domestic banks to allocate an allowance of at least 1.5% of repair loans and construction loans. In addition, under the FSC Official Letter No. 10410001840, Category 1 credits granted to enterprises in the China region should be covered by an allowance of at least 1.5% of the balance of these credits.

SinoPac (China) conforms to the “Guidelines for the Provision of Bank Loan Loss” for the special provisions, issued by the People’s Bank of China. For the special-mentioned loan, substandard loans, doubtful loans and loss loans, recognizing special provisions based on 2%, 20% to 30%, 40% to 60% and 100% of the loan balance, respectively.

c. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt instrument at FVTOCI in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of an equity instrument at FVTOCI in its entirety, cumulative gain or loss is transferred directly to retained earnings instead of reclassifying as profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Equity and debt instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 43.

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

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or
- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

2) Financial guarantee contracts

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

b. Derecognition of financial liabilities

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

Derivative Financial Instruments

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

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in hybrid contracts that contain hosts which are not assets (e.g. financial liabilities) within the scope of IFRS 9 shall be separated from the host and accounted for as a derivative under IFRS 9 if, and only if, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host. Alternatively, the entire hybrid instrument is designated as a derivative instrument included in financial liabilities at fair value through profit or loss upon initial recognition, and no separate accounting is required.

Repurchase and Reverse Repurchase Transactions

Securities purchased under resell (reverse repurchase) agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Property and Equipment

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

Depreciation on property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment Properties

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

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

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

Leases

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

a. The Group as lessor

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

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

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

b. The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Goodwill

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

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

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

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

Provisions

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Preferential interest on employees' deposits

The Bank offers preferential interest rate to its current employees for their deposits within a prescribed amount.

Under Article 28 of the Regulation Governing the Preparation of Financial Reports by Public Bank, if the Group's preferential deposit interest rate for as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employee's retirement. The actuarial valuation assumptions and parameters are based on those announced by authority, if any.

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

Cash-settled Share-based Payment Transaction

For cash-settled share-based payments, a liability is recognized for the services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

Revenue Recognition

a. Interest income and expense

Except for financial assets and liabilities at fair value through profit or loss, interest income and interest expense of all financial instruments are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, and recognized in the consolidated statements of comprehensive income.

Transaction costs and all other premium or discounts associated with the loans and receivables are adjusted to the carrying amount of the loans and receivables. The calculation of effective interest rate includes transaction costs and all other premium or discounts paid or received by the Group that is an integral part of the effective interest rate.

Interest should not be accrued for loans that are transferred to non-performing loans. The interest revenue on those loans/credits is recognized upon collection.

Under Ministry of Finance (MOF) regulations, the interest revenue on structured loans is recognized upon collection.

Interest income on revolving credit card receivables and cash advance is recognized on an accrual basis.

b. Commission revenue

Commission fee revenue and expenses are recognized when loans or other services are provided. Service fees on significant projects are recognized when the project has been completed, for instance, loans syndicated fees are recognized over the period during which the service is performed, or as an adjustment to the effective interest rate on the loan and receivables.

Annual fee income is the membership fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; an allowance is estimated using past experience and is recognized as a deduction from annual fee income within the year the annual fee income is recognized.

Revenue from rendering services is recognized at the amount corresponding to the percentage of services completed as of the balance sheet date.

c. Dividend income

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

Income Tax

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

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

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences, unused loss carryforward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current tax and deferred tax for the period

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

d. Linked-tax system

SPH and its qualified subsidiaries adopted the linked-tax system. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation and SPH with its qualified subsidiaries are adjusted on SPH; related amounts are recognized as current tax assets or current tax liabilities.

The accounting principle of the effect of tax rate amendment are the same as transactions with tax consequences. They are recognized as profit or loss, other comprehensive income or equity when they occurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Estimated Impairment of Discounts and Loans

According to the Procedures, for estimate of impairment of discounts and loans, the Group makes judgment to classify loan asset and evaluate credit losses based on the information of loan term and situation of pledged collateral value and financial position of debtor.

The Group also makes assumptions about probability of default and loss given default. In making these assumptions and in selecting the inputs to the impairment calculation, the Group uses judgment based on past history, existing market conditions, forward-looking estimates, as well as the economic effects of Covid-19. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS, NET

	December 31	
	2020	2019
Cash on hand	\$ 7,098,626	\$ 7,101,120
Due from other banks	18,477,864	8,322,629
Notes and checks for clearing	<u>1,299,841</u>	<u>1,198,015</u>
	26,876,331	16,621,764
Less: Allowance for credit losses	<u>(18,541)</u>	<u>(220)</u>
Net amount	<u>\$ 26,857,790</u>	<u>\$ 16,621,544</u>

Under the Guidelines on the Management of Country Risk by Banking Financial Institutions issued by the China Banking Regulatory Commission for countries or regions with low risks, Bank SinoPac (China) recognized the country risk provision at 0.5% of the due from other banks and call loans to banks (Note 7), both due from banks and call loans to banks are assessed the allowance based on 0.05%.

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

	December 31	
	2020	2019
Call loans to banks	\$ 57,472,101	\$ 84,335,569
Trade finance advance - interbank	5,537,442	2,161,559
Deposit reserve - checking accounts	28,094,216	20,432,055
Due from the Central Bank - interbank settlement funds	4,000,139	2,511,849
Deposit reserve - demand accounts	35,613,480	29,888,447
Deposit reserve - foreign currencies	427,626	376,402
Deposit - other	<u>8,745,471</u>	<u>2,856,511</u>
	139,890,475	142,562,392
Less: Allowance for credit losses	<u>(5,916)</u>	<u>(23,553)</u>
Net amount	<u>\$ 139,884,559</u>	<u>\$ 142,538,839</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserves are determined monthly at prescribed rates based on average balances of customers' NTD-denominated deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates based on the balances of foreign-currency deposits. These reserves can be withdrawn momentarily anytime at no interest.

Under the relevant provisions issued by the People's Bank of China, Bank SinoPac (China) showed deposit reserves in proportion on the basis of deposit account balances at the end of the months.

Please refer to Note 41 for information relating to due from the Central Bank and call loans to banks.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Financial assets mandatorily classified as at fair value through profit or loss		
Government bonds	\$ 26,528,505	\$ 35,641,996
Commercial paper	2,348,878	-
Certificates of deposits purchased	1,998,231	2,391,984
Corporate bonds	1,410,892	332,424
Bank debentures	312,118	622,689
Listed common stock	68,765	-
Currency swap contracts	13,575,991	7,283,256
Interest rate swap contracts	4,532,853	2,972,724
Forward contracts	1,131,602	784,096
Option contracts	1,049,976	1,057,170
Hybrid FX swap structured instruments	270,401	591,299
Others	<u>270,055</u>	<u>366,752</u>
	<u>53,498,267</u>	<u>52,044,390</u>
Financial assets designated at fair value through profit or loss		
Corporate bonds	1,378,097	-
Government bonds	<u>1,277,491</u>	<u>-</u>
	<u>2,655,588</u>	<u>-</u>
	<u>\$ 56,153,855</u>	<u>\$ 52,044,390</u>

(Continued)

	December 31	
	2020	2019
Held-for-trading financial liabilities		
Currency swap contracts	\$ 15,468,374	\$ 7,998,889
Interest rate swap contracts	2,946,034	3,362,093
Option contracts	1,153,598	2,128,744
Forward contracts	1,149,656	787,916
Hybrid FX swap structured instruments	270,239	590,945
Others	<u>383,148</u>	<u>307,868</u>
	<u>21,371,049</u>	<u>15,176,455</u>
Financial liabilities designated at fair value through profit or loss		
Bank debentures	<u>1,520,769</u>	<u>1,536,619</u>
	<u>1,520,769</u>	<u>1,536,619</u>
	<u>\$ 22,891,818</u>	<u>\$ 16,713,074</u>

(Concluded)

- a. The Group designated to avoid interest risk of assets as financial assets at FVTPL originally held by taking the contractual cash flow and selling financial assets to achieve the business model and to eliminate accounting inconsistencies as financial liabilities at FVTPL.
- b. Information on financial liabilities designated at fair value through profit or loss were as follows:

	December 31	
	2020	2019
Difference between carrying amount and the amount due on maturity		
Fair value	\$ 1,520,769	\$ 1,536,619
Amount due on maturity	<u>(1,598,698)</u>	<u>(1,688,638)</u>
	<u>\$ (77,929)</u>	<u>\$ (152,019)</u>
		Changes in Fair Value
		Attributable to Changes in Credit Risk
Change in amount during the year		
For the year ended December 31, 2020		<u>\$ (14,301)</u>
For the year ended December 31, 2019		<u>\$ (60,206)</u>
Accumulated amount of change		
As of December 31, 2020		<u>\$ (82,343)</u>
As of December 31, 2019		<u>\$ (68,042)</u>

The change in fair value attributable to changes in credit risk recognized as other comprehensive income was calculated as the difference between the total change in fair value of bank debentures and the change in fair value due to the change in market risk factors. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding the credit risk margin constant and interest rates swap volatility surface. The fair value of bank debentures was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and credit risk margin is estimated by obtaining credit default swap spread of the company with similar credit rating.

On May 19, 2017, the Bank issued unsecured senior bank debentures amounting to US\$45,000 thousand with a 30-year maturity and zero coupon issued and an implicit internal of return of 4.5%. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date or make bond repayments on the maturity date.

- c. The Group engages in derivative transactions mainly to accommodate customers' needs and manage its own exposure positions. Outstanding derivative contracts (nominal) on December 31, 2020 and 2019 were as follows:

	Contract Amount	
	December 31	
	2020	2019
Currency swap contracts	\$ 1,003,581,879	\$ 1,307,494,014
Interest rate swap contracts	734,091,760	854,035,608
Forward contracts	85,962,719	110,183,724
Option contracts	31,541,123	55,443,481
Cross-currency swap contracts	12,933,171	15,221,046
Futures contracts	11,458,846	11,076,387
Hybrid FX swap structured instruments	7,520,729	9,751,822
Assets swap contracts	889,701	231,900
Commodity-linked swap contracts	648,263	684,733
Equity-linked swap contracts	254,295	48,180

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Equity instruments at fair value through other comprehensive income	\$ 11,577,644	\$ 2,218,151
Debt instruments at fair value through other comprehensive income	<u>328,156,681</u>	<u>236,677,415</u>
	<u>\$ 339,734,325</u>	<u>\$ 238,895,566</u>

- a. Equity instruments at fair value through other comprehensive income

	December 31	
	2020	2019
Listed common stock	\$ 9,219,153	\$ -
Unlisted common stock	1,200,430	1,193,151
Real estate investment trust beneficiary securities	<u>1,158,061</u>	<u>1,025,000</u>
	<u>\$ 11,577,644</u>	<u>\$ 2,218,151</u>

The Group holds equity instruments for the purpose of long-term strategic investment, for earning stable income and for increasing the rate of return of investment portfolio, but not for the purpose of trading; therefore, the equity instruments are designated as at fair value through other comprehensive income.

The Group sold part of the investments for the purpose of rewards and risks management for the year ended December 31, 2020, the fair value of the sold of investments was \$2,452,982 at the date of derecognition, and the disposal loss was \$15,197. An investee reduced its capital and returned the share payment of \$100,230, due to the return of investment, the Bank recognized gain of \$22,526 in the first quarter of 2020. The gain was transferred from other equity to retained earnings.

b. Debt instruments at fair value through other comprehensive income

	December 31	
	2020	2019
Certificates of deposits purchased	\$ 125,377,298	\$ 94,954,558
Bank debentures	80,526,092	56,321,839
Commercial papers	55,036,188	53,409,332
Corporate bonds	42,077,851	23,813,541
Government bonds	19,493,938	7,692,861
Others	<u>5,645,314</u>	<u>485,284</u>
	<u>\$ 328,156,681</u>	<u>\$ 236,677,415</u>

1) Loss allowance of debt instruments at fair value through other comprehensive income were \$61,452 and \$37,879 on December 31, 2020 and 2019, respectively. Credit risk management and information of impairment valuation of debt instruments at FVTOCI are shown in Note 44.

2) As of December 31, 2020 and 2019, the par value of debt instruments at FVTOCI under repurchase agreements were \$1,044,255 and \$4,803,695, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2020	2019
Government bonds	\$ 55,013,400	\$ 60,819,177
Certificates of deposits purchased	49,812,542	45,115,561
Bank debentures	29,438,199	22,590,903
Asset-based securities	15,356,937	-
Corporate bonds	11,296,477	9,423,153
Others	<u>1,462,770</u>	<u>-</u>
	162,380,325	137,948,794
Less: Loss allowance	<u>(11,891)</u>	<u>(8,034)</u>
Net amount	<u>\$ 162,368,434</u>	<u>\$ 137,940,760</u>

a. Credit risk management and information of impairment valuation of investments in debt instruments at amortized cost are shown in Note 44.

b. Please refer to Note 41 for information relating to investments in debt instruments at amortized cost pledged as security.

c. As of December 31, 2020 and 2019, the par value of investments in debt instruments at amortized cost under repurchase agreements were \$230,200 and \$1,340,761, respectively.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2020	2019
Commercial papers	\$ 42,403,035	\$ 20,524,698
Negotiable certificates of deposits	2,947,256	-
Corporate bonds	2,158,178	2,121,952
Bank debentures	2,085,123	3,885,474
Government bonds	<u>1,054,436</u>	<u>3,984,609</u>
	<u>\$ 50,648,028</u>	<u>\$ 30,516,733</u>
Agreed-upon resell amount	\$ 50,660,005	\$ 30,557,291
Par value	51,210,199	31,376,893
Expiry	April 2021	March 2020

As of December 31, 2020 and 2019, the par value of securities purchased under resell agreements under repurchase agreements were \$2,356,271 and \$3,011,220, respectively.

12. RECEIVABLES, NET

	December 31	
	2020	2019
Credit card receivable	\$ 19,109,830	\$ 18,238,445
Accounts receivable - factoring	10,588,014	12,020,244
Accounts receivable - forfaiting	6,896,929	5,194,838
Acceptances	5,464,770	2,515,418
Interest and revenue receivables	4,271,609	4,354,556
Accounts and notes receivables	1,398,518	2,348,497
Trust administration fee revenue receivable	678,791	704,502
Accounts receivable - disposal of subsidiary	-	211,720
Others	<u>1,388,367</u>	<u>954,845</u>
	49,796,828	46,543,065
Less: Allowance for credit losses	(735,517)	(746,524)
Less: Premium or discount on receivables	<u>(28)</u>	<u>(23)</u>
Net amount	<u>\$ 49,061,283</u>	<u>\$ 45,796,518</u>

The Group assessed the collectability of receivables to determine the allowance. Movements in the allowance of receivables were as follows:

	For the Year Ended December 31	
	2020	2019
Balance, January 1	\$ 746,524	\$ 800,948
Provision	216,922	90,722
Write-off	(214,083)	(135,725)
Reclassification	(6,422)	-
Effect of exchange rate changes	<u>(7,424)</u>	<u>(9,421)</u>
Balance, December 31	<u>\$ 735,517</u>	<u>\$ 746,524</u>

Please refer to Note 44 for the analysis of receivable impairment loss. The Group received payments for loans previously written-off \$197,191 and \$174,531 for the years ended December 31, 2020 and 2019, respectively, which were recognized as deduction of provision expenses.

The board of directors of the Bank has resolved to sell 100% equity of SinoPac Bancorp to Cathay General Bancorp on July 8, 2016. The case was approved by the FSC on July 6, 2017, and the settlement was completed on July 14, 2017 (US time). According to the agreement, the total transaction price is US\$351,551 thousand, and the buyer will pay 10% of the total transaction price by issuing 926,192 shares of stock. The Bank has already disposed all the stock. As for the payment schedule of US\$100,000 thousand out of total transaction price in the contract (the payment date should not be later than one year after the settlement date), the US\$100,000 thousand was fully received in November 2017. Besides, according to the stock purchase agreement, the buyer reserved 10% of the transaction price (US\$35,155 thousand, listed by the Bank in accounts receivable - disposal of subsidiary) as compensation in the event the Bank breaches the contract. The buyer will repay the amount plus interest within three years after the settlement date. The 50%, 30% and 20% (US\$17,578 thousand, US\$10,546 thousand and US\$7,031 thousand) of above compensation price had been received in July 2018, 2019 and 2020, respectively, and the Bank recognized the gain on disposal of the subsidiary amounted to \$537,205, \$327,628 and \$207,310. The case recognized cumulative the net gain on disposal of the subsidiary amounted to \$414,242.

13. DISCOUNTS AND LOANS, NET

	December 31	
	2020	2019
Export negotiation	\$ 632,471	\$ 621,243
Secured overdrafts	45,108	62,122
Accounts receivable - financing	1,820,827	1,368,215
Short-term loans	133,451,049	133,385,693
Secured short-term loans	106,862,375	106,482,110
Medium-term loans	266,549,679	188,998,583
Secured medium-term loans	132,587,981	90,909,652
Long-term loans	8,362,312	7,950,508
Secured long-term loans	505,180,825	482,338,483
Non-performing loans transferred from loans	948,785	1,631,164
	<u>1,156,441,412</u>	<u>1,013,747,773</u>
Less: Allowance for credit losses	(15,001,444)	(13,772,755)
Less: Premium or discount on discounts and loans	<u>(453,916)</u>	<u>(420,720)</u>
Net amount	<u>\$ 1,140,986,052</u>	<u>\$ 999,554,298</u>

- a. Please refer to Note 44 for the analysis of impairment loss on discounts and loans and Note 41 for information relating to discounts and loans pledged as security. Except the accounting policy on impairment of financial assets in Note 4, SinoPac (China) also follows the local authority, maintaining an allowance of at least 1.5% of loans and 120% of non-performing loans.

- b. The Group assessed the collectability of discounts and loans to determine the required allowance. Movements in the allowance of discounts and loans were as follows:

	For the Year Ended December 31	
	2020	2019
Balance, January 1	\$ 13,772,755	\$ 13,013,129
Provision	2,549,970	1,674,739
Write-off	(1,196,231)	(857,886)
Effect of exchange rate changes	<u>(125,050)</u>	<u>(57,227)</u>
Balance, December 31	<u>\$ 15,001,444</u>	<u>\$ 13,772,755</u>

The Group received payments for loans previously written-off \$403,124 and \$425,832 for the years ended December 31, 2020 and 2019, respectively, which were recognized as deduction of provision expenses.

14. OTHER FINANCIAL ASSETS, NET

	December 31	
	2020	2019
Time deposits not belonging to cash and cash equivalent	\$ 5,917,374	\$ 8,212,560
Purchase of the PEM Group's instruments	4,177,027	4,387,361
Non-performing receivables transferred from other than loans	-	3,886
Others	<u>40,509</u>	<u>38,595</u>
	<u>10,134,910</u>	<u>12,642,402</u>
Less: Allowance for credit loss	(1,681)	(5,828)
Less: Accumulated impairment	<u>(2,256,444)</u>	<u>(1,911,515)</u>
Net amount	<u>\$ 7,876,785</u>	<u>\$ 10,725,059</u>

Above time deposits not belonging to cash and cash equivalent included time deposits over three months; pledged and no advance termination time deposits.

Please refer to Note 41 for information relating to other financial assets pledged as security.

The Bank was delegated by professional investors to sell the PEM Group's investment products amounting to US\$146,000 thousand through private placement. A U.S. Federal Court appointed a receiver for all assets that belonged to, were being managed by, or were in the possession of or control of the PEM Group. To protect the client's interests, the Bank bought back the products at the price of the initial payment net of the distribution and redemption costs. On December 24, 2010, the Bank's board of directors resolved to abide by a court's appointment of a PEM Group receiver to take the PEM Group's insurance policies at the price of approximately US\$40.4 million, and the Bank thus recognized impairment losses of US\$11,152 thousand. On March 7, 2011, the receiver transferred a portion of the insurance policies to a trustee established jointly by certain banks to hold insurance policies. And the Bank had submitted to the authorities the results of this policy transfer. As of December 31, 2020, a reserve of US\$79,150 thousand (NT\$2,256,444) had been set aside to cover the accumulated impairment losses. The Bank recognized impairment loss of \$464,249 and gain on reversal of impairment loss of \$115,124 for PEM Group for the years ended December 31, 2020 and 2019.

The Group assessed the collectability of other financial assets to determine the required allowance. Movements in the allowance of other financial assets were as follows:

	For the Year Ended December 31	
	2020	2019
Balance, January 1	\$ 5,828	\$ 96,574
Provision (reversal of)	3,050	(64,400)
Write-off	(7,166)	(26,327)
Effect of exchange rate changes	<u>(31)</u>	<u>(19)</u>
Balance, December 31	<u>\$ 1,681</u>	<u>\$ 5,828</u>

The Group received payments for loans previously written-off \$17,871 and \$13,079 for the years ended December 31, 2020 and 2019, respectively, which were recognized as deduction of provision expenses.

15. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the years ended December 31, 2020 and 2019 are summarized as follows:

	For the Year Ended December 31, 2020							
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>								
Balance, January 1	\$ 5,578,961	\$ 5,717,263	\$ 2,077,082	\$ 1,160	\$ 1,410,407	\$ 1,540,849	\$ 375,944	\$ 16,701,666
Addition	-	70,815	349,555	-	123,568	25,021	388,088	957,047
Deduction	-	(3,668)	(493,059)	-	(79,244)	(84,254)	-	(660,225)
Reclassifications	19,520	67,382	255,399	-	35,750	56,364	(548,098)	(113,683)
Effect of exchange rate changes	-	4,987	(7,296)	(57)	(1,318)	(2,677)	167	(6,194)
Balance, December 31	<u>5,598,481</u>	<u>5,856,779</u>	<u>2,181,681</u>	<u>1,103</u>	<u>1,489,163</u>	<u>1,535,303</u>	<u>216,101</u>	<u>16,878,611</u>
<u>Accumulated depreciation</u>								
Balance, January 1	14	3,195,348	1,510,257	1,160	1,145,260	1,345,825	-	7,197,864
Depreciation	23	138,103	241,147	-	80,784	79,483	-	539,540
Deduction	-	(2,908)	(479,322)	-	(78,156)	(82,836)	-	(643,222)
Reclassifications	-	16,932	-	-	4,833	(4,833)	-	16,932
Effect of exchange rate changes	-	694	(7,126)	(57)	(1,295)	(3,190)	-	(10,974)
Balance, December 31	<u>37</u>	<u>3,348,169</u>	<u>1,264,956</u>	<u>1,103</u>	<u>1,151,426</u>	<u>1,334,449</u>	<u>-</u>	<u>7,100,140</u>
<u>Net amount</u>								
Balance, December 31	<u>\$ 5,598,444</u>	<u>\$ 2,508,610</u>	<u>\$ 916,725</u>	<u>\$ -</u>	<u>\$ 337,737</u>	<u>\$ 200,854</u>	<u>\$ 216,101</u>	<u>\$ 9,778,471</u>

	For the Year Ended December 31, 2019							
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>								
Balance, January 1	\$ 5,526,334	\$ 5,562,496	\$ 1,861,133	\$ 1,177	\$ 1,411,272	\$ 1,598,276	\$ 115,667	\$ 16,076,355
Adjustment on initial application of IFRS 16	-	-	-	-	-	(82,963)	-	(82,963)
Balance, January 1 as restated	5,526,334	5,562,496	1,861,133	1,177	1,411,272	1,515,313	115,667	15,993,392
Addition	290	23,808	292,590	-	40,848	34,958	390,406	782,900
Deduction	-	(13,384)	(90,988)	-	(56,962)	(8,996)	-	(170,330)
Reclassifications	52,337	156,755	5,542	-	1,893	2,408	(129,401)	89,534
Effect of exchange rate changes	-	(13,006)	(4,745)	(17)	(588)	(2,834)	(728)	(21,918)
Other (Note)	-	594	13,550	-	13,944	-	-	28,088
Balance, December 31	<u>5,578,961</u>	<u>5,717,263</u>	<u>2,077,082</u>	<u>1,160</u>	<u>1,410,407</u>	<u>1,540,849</u>	<u>375,944</u>	<u>16,701,666</u>

(Continued)

For the Year Ended December 31, 2019								
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Accumulated depreciation</u>								
Balance, January 1	\$ -	\$ 2,976,725	\$ 1,422,437	\$ 1,177	\$ 1,116,401	\$ 1,348,500	\$ -	\$ 6,865,240
Adjustment on initial application of IFRS 16	-	-	-	-	-	(69,670)	-	(69,670)
Balance, January 1 as restated	-	2,976,725	1,422,437	1,177	1,116,401	1,278,830	-	6,795,570
Depreciation	14	129,917	170,140	-	74,598	81,072	-	455,741
Deduction	-	-	(87,955)	-	(56,120)	(8,928)	-	(153,003)
Reclassifications	-	89,362	199	-	(199)	(2,864)	-	86,498
Effect of exchange rate changes	-	(938)	(3,943)	(17)	(530)	(2,285)	-	(7,713)
Other (Note)	-	282	9,379	-	11,110	-	-	20,771
Balance, December 31	14	3,195,348	1,510,257	1,160	1,145,260	1,345,825	-	7,197,864
<u>Net amount</u>								
Balance, December 31	\$ 5,578,947	\$ 2,521,915	\$ 566,825	\$ -	\$ 265,147	\$ 195,024	\$ 375,944	\$ 9,503,802

(Concluded)

Note: These are SinoPac Call Center's assets, liabilities and operations, which were generated from merger.

The above property and equipment are depreciated at the following estimated useful lives:

Items	Years
Land improvements	8-30 years
Buildings	2-60 years
Machinery and computer equipment	0.58-15 years
Transportation equipment	5 years
Other equipment	2-15 years
Leasehold improvements	1.58-15 years

The Bank rent other equipment to others. On December 31, 2020 and 2019, the amounts of the equipment respectively was \$2,046 and \$2,617.

16. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	December 31	
	2020	2019
<u>Carrying amount</u>		
Land	\$ 1,137	\$ 2,717
Buildings	2,332,060	2,179,272
Machinery and computer equipment	4,193	28,074
Transportation equipment	15,706	9,487
Other equipment	720	238
Decommissioning restoration costs	20,662	10,021
	<u>\$ 2,374,478</u>	<u>\$ 2,229,809</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	\$ 842,579	\$ 1,173,129
Depreciation charge for right-of-use assets		
Land	\$ 1,488	\$ 1,578
Buildings	536,060	634,421
Machinery and computer equipment	26,295	26,257
Transportation equipment	9,914	10,130
Other equipment	342	589
Decommissioning restoration costs	3,719	4,641
	<u>\$ 577,818</u>	<u>\$ 677,616</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount	\$ 2,374,065	\$ 2,219,223

Range of discount rates for lease liabilities was as follows:

	December 31	
	2020	2019
Land	0.7357%-2.6329%	0.7357%-4.8096%
Buildings	0.1553%-4.8096%	0.5609%-4.8096%
Machinery and computer equipment	0.7357%-1.0768%	0.7357%-1.7936%
Transportation equipment	0.5698%-5.5000%	0.5609%-5.5000%
Other equipment	0.3410%-3.4512%	0.5609%-0.7357%

c. Material lease-in activities and terms

The Group leases certain buildings for use as business locations and offices with lease terms of 1 year to 20 years. The lease contract for major buildings located in Taiwan for use as offices and branches specifies that lease payments will be adjusted 1% every three years. The lease contract for major buildings located in overseas branches stipulated fixed or regularly adjusted proportionally lease payments. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

- 1) Lease arrangements under operating leases for the leasing out of investment properties and equipment are set out in Notes 15, 17 and 44.

2) Other

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 16,858	\$ 24,876
Expenses relating to low-value asset leases	\$ 37,427	\$ 30,228
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 8,931	\$ 7,088
Total cash outflow for leases	\$ (746,742)	\$ (766,392)

Recognition exemption is applied to short-term leases of various types of assets such as other equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. INVESTMENT PROPERTY, NET

The movements of investment property are summarized as follows:

	For the Year Ended December 31, 2020		
	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1	\$ 795,615	\$ 615,081	\$ 1,410,696
Addition	-	3,035	3,035
Deduction	-	(261)	(261)
Reclassifications	(19,520)	(25,228)	(44,748)
Balance, December 31	<u>776,095</u>	<u>592,627</u>	<u>1,368,722</u>
<u>Accumulated depreciation</u>			
Balance, January 1	-	327,058	327,058
Depreciation	-	11,695	11,695
Deduction	-	(253)	(253)
Reclassifications	-	(16,932)	(16,932)
Balance, December 31	-	<u>321,568</u>	<u>321,568</u>
<u>Net amount</u>			
Balance, December 31	<u>\$ 776,095</u>	<u>\$ 271,059</u>	<u>\$ 1,047,154</u>

	For the Year Ended December 31, 2019		
	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1	\$ 852,088	\$ 797,398	\$ 1,649,486
Addition	-	3,389	3,389
Deduction	(4,136)	(37,056)	(41,192)
Reclassifications	<u>(52,337)</u>	<u>(148,650)</u>	<u>(200,987)</u>
Balance, December 31	<u>795,615</u>	<u>615,081</u>	<u>1,410,696</u>

Accumulated depreciation

Balance, January 1	-	407,291	407,291
Depreciation	-	15,207	15,207
Deduction	-	(8,942)	(8,942)
Reclassifications	<u>-</u>	<u>(86,498)</u>	<u>(86,498)</u>
Balance, December 31	<u>-</u>	<u>327,058</u>	<u>327,058</u>

Net amount

Balance, December 31	<u>\$ 795,615</u>	<u>\$ 288,023</u>	<u>\$ 1,083,638</u>
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The above investment properties are depreciated at the following estimated useful lives:

<u>Category</u>	<u>Useful Lives</u>
Buildings	8-60 years

The above investment property of the Group is for the purpose of earning rental income or capital appreciation or both. The fair values of investment properties used mainly or partially for leasing as of December 31, 2020 and 2019 were \$15,259,452 and \$16,536,599, respectively. The fair values, which were based on an internal valuation report instead of an assessment by an independent professional appraiser, were determined assuming unobservable inputs (Level 3).

18. INTANGIBLE ASSETS, NET

	December 31	
	2020	2019
Goodwill	\$ 876,717	\$ 876,717
Computer software	618,617	555,412
Others	<u>7,204</u>	<u>7,358</u>
	<u>\$ 1,502,538</u>	<u>\$ 1,439,487</u>

Movements in the Group's intangible assets were as follows:

	Goodwill	Computer Software	Others	Total
<u>2020</u>				
Balance, January 1	\$ 876,717	\$ 555,412	\$ 7,358	\$ 1,439,487
Addition	-	103,496	-	103,496
Amortization	-	(199,374)	(252)	(199,626)
Reclassifications	-	158,426	-	158,426
Effects of exchange rate changes	-	657	98	755
Balance, December 31	<u>\$ 876,717</u>	<u>\$ 618,617</u>	<u>\$ 7,204</u>	<u>\$ 1,502,538</u>
<u>2019</u>				
Balance, January 1	\$ 876,717	\$ 439,042	\$ 7,882	1,323,641
Addition	-	166,532	-	166,532
Amortization	-	(169,276)	(263)	(169,539)
Reclassifications	-	111,453	-	111,453
Effects of exchange rate changes	-	(2,423)	(261)	(2,684)
Other (Note)	-	10,084	-	10,084
Balance, December 31	<u>\$ 876,717</u>	<u>\$ 555,412</u>	<u>\$ 7,358</u>	<u>\$ 1,439,487</u>

Note: These are SinoPac Call Center's assets, liabilities and operations, which generated from merger.

The above intangible assets are amortized on a straight-line basis over the following estimated useful lives:

<u>Item</u>	<u>Years</u>
Computer software	3-10.58 years

Goodwill includes \$876,717, which resulted from the Bank's cash merger with SinoPac Card Services, and this merger was treated as a reorganization of SPH.

In assessing whether goodwill is impaired, the Bank considers the credit card department as a cash generating unit and estimates the recoverable amount by its value in use. The Bank uses the department's actual profitability and business or business recycle in making key assumption to predict future cash flows and thus calculates its value in use. Under a going-concern assumption, the Bank predicted the net cash flows that would be generated from the investee's operating activities in the next 5 years and estimated salvage value and used the Bank's weighted average cost of capital to calculate the value in use.

The goodwill of the Bank's credit card department was \$876,717 as of December 31, 2020 and 2019. The impairment tests on goodwill were conducted on October 31, 2020 and 2019. The actual net income for the years ended December 31, 2020 and 2019 amounted to \$108,232 and \$119,372, respectively. The expected net income for the years 2020 and 2019 as assessed by the impairment test on goodwill would be \$78,125 and \$81,907, respectively. The recoverable amount was expected to be higher than the book value. Therefore, the Group found no objective evidence that goodwill had been tested for impaired as of December 31, 2020 and 2019.

19. OTHER ASSETS, NET

	December 31	
	2020	2019
Guarantee deposits	\$ 3,180,642	\$ 3,546,748
Temporary payment and suspense accounts	282,310	198,301
Prepayment	239,453	336,573
Others	<u>51,021</u>	<u>51,036</u>
	3,753,426	4,132,658
Less: Accumulated impairment	<u>(7,935)</u>	<u>(7,000)</u>
Net amount	<u>\$ 3,745,491</u>	<u>\$ 4,125,658</u>

20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2020	2019
Call loans from banks	\$ 65,288,823	\$ 43,508,505
Redeposits from Chunghwa Post	10,090,000	10,137,905
Due to banks	<u>135,547</u>	<u>172,092</u>
	<u>\$ 75,514,370</u>	<u>\$ 53,818,502</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2020	2019
Bank debentures	\$ 1,999,311	\$ 5,191,522
Government bonds	869,102	3,891,105
Corporate bonds	<u>832,910</u>	<u>-</u>
	<u>\$ 3,701,323</u>	<u>\$ 9,082,627</u>
Agreed-upon repurchase price	\$ 3,704,779	\$ 9,137,106
Par value	\$ 3,630,726	\$ 9,155,676
Maturity date	May 2021	May 2020

22. PAYABLES

	December 31	
	2020	2019
Acceptances payable	\$ 5,279,510	\$ 2,515,418
Accrued expenses	3,095,516	3,024,936
Accounts payable - factoring	2,790,152	2,256,677
Interests payable	1,987,453	3,103,873
		(Continued)

	December 31	
	2020	2019
Accounts payable	\$ 1,541,407	\$ 1,571,536
Dividends payable to SPH	1,435,025	1,435,025
Notes and checks in clearing	1,299,841	1,198,015
Others	<u>1,643,406</u>	<u>1,471,352</u>
	<u>\$ 19,072,310</u>	<u>\$ 16,576,832</u>
		(Concluded)

23. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Checking	\$ 13,877,172	\$ 11,894,294
Demand	428,617,017	274,100,414
Savings - demand	434,922,075	335,780,685
Time deposits	527,769,585	497,153,678
Negotiable certificates of deposits	1,960,000	11,225,300
Savings - time	249,690,008	256,716,567
Inward remittances	3,055,916	1,853,297
Outward remittances	<u>59,294</u>	<u>116,316</u>
	<u>\$ 1,659,951,067</u>	<u>\$ 1,388,840,551</u>

24. BANK DEBENTURES

To raise capital for its financial operation and increase its capital adequacy ratio, the Bank obtained approval from the FSC to issue bank debentures, as follows:

	December 31		Maturity Date	Rates
	2020	2019		
Second subordinated bank debentures issued in 2011 (B)	\$ 2,999,891	\$ 2,999,720	2011.08.18-2021.08.18 Principal is repayable on maturity date.	Fixed interest rate of 2.18%, interest is paid annually.
First subordinated bank debentures issued in 2012 (B)	1,299,874	1,299,802	2012.09.18-2022.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
Third subordinated bank debentures issued in 2014 (A)	-	1,879,933	2014.09.30-2020.03.30 Principal is repayable on maturity date.	Fixed interest rate of 1.75%, interest is paid annually.
Third subordinated bank debentures issued in 2014 (B)	699,798	699,747	2014.09.30-2024.09.30 Principal is repayable on maturity date.	Fixed interest rate of 2.05%, interest is paid annually.
First subordinated bank debentures issued in 2015	-	749,940	2015.07.22, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Second subordinated bank debentures issued in 2015	-	459,955	2015.09.08, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Third subordinated bank debentures issued in 2015	-	709,915	2015.11.05, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Fourth subordinated bank debentures issued in 2015	-	139,980	2015.12.15, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.

(Continued)

	December 31		Maturity Date	Rates
	2020	2019		
First subordinated bank debentures issued in 2016	\$ 1,499,969	\$ 1,499,775	2016.02.23, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Second subordinated bank debentures issued in 2016	1,029,963	1,029,820	2016.03.30, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Third subordinated bank debentures issued in 2016	1,419,621	1,419,498	2016.12.23-2023.12.23 Principal is repayable on maturity date.	Fixed interest rate of 1.50%, interest is paid annually.
First subordinated bank debentures issued in 2017 (A)	149,928	149,906	2017.02.24-2024.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.60%, interest is paid annually.
First subordinated bank debentures issued in 2017 (B)	2,099,279	2,099,169	2017.02.24-2027.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.90%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (A)	199,931	199,911	2017.06.28-2024.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.70%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (B)	539,761	539,727	2017.06.28-2027.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Fourth subordinated bank debentures issued in 2017	2,999,348	2,999,047	2017.06.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five and a half years.	Fixed interest rate of 4.00%, interest is paid annually.
First subordinated bank debentures issued in 2018 (A)	649,738	649,680	2018.04.30-2025.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
First subordinated bank debentures issued in 2018 (B)	499,760	499,729	2018.04.30-2028.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
First subordinated bank debentures issued in 2019	1,999,229	1,999,028	2019.01.25, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five and a half years.	Fixed interest rate of 2.40%, interest is paid annually.
Second subordinated bank debentures issued in 2019 (A)	1,199,511	1,199,419	2019.01.25-2026.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
Second subordinated bank debentures issued in 2019 (B)	1,799,184	1,799,091	2019.01.25-2029.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.55%, interest is paid annually.
Third senior bank debentures issued in 2019	2,999,715	2,999,635	2019.06.26-2024.06.26 Principal is repayable on maturity date.	Fixed interest rate of 0.76%, interest is paid annually.
Fourth subordinated bank debentures issued in 2019	1,499,327	1,499,155	2019.08.23, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 2.00%, interest is paid annually.
Fifth subordinated bank debentures issued in 2019 (A)	1,749,225	1,749,092	2019.08.23-2026.08.23 Principal is repayable on maturity date.	Fixed interest rate of 1.03%, interest is paid annually.
Fifth subordinated bank debentures issued in 2019 (B)	1,749,168	1,749,077	2019.08.23-2029.08.23 Principal is repayable on maturity date.	Fixed interest rate of 1.13%, interest is paid annually.
First subordinated bank debentures issued in 2020	2,999,217	-	2020.03.31, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and four months.	Fixed interest rate of 1.35%, interest is paid annually.
Second subordinated bank debentures issued in 2020	1,999,392	-	2020.03.31-2030.03.31 Principal is repayable on maturity date.	Fixed interest rate of 0.75%, interest is paid annually.
Third subordinated bank debentures issued in 2020	2,899,407	-	2020.06.30, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 1.85%, interest is paid annually.
Fourth subordinated bank debentures issued in 2020	2,599,376	-	2020.06.30-2030.06.30 Principal is repayable on maturity date.	Fixed interest rate of 1.00%, interest is paid annually.
Fifth subordinated bank debentures issued in 2020	2,099,560	-	2020.10.29, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 1.70%, interest is paid annually.
Sixth subordinated bank debentures issued in 2020	2,399,454	-	2020.10.29-2030.10.29 Principal is repayable on maturity date.	Fixed interest rate of 0.87%, interest is paid annually.
Seventh senior bank debentures issued in 2020	<u>999,656</u>	<u>-</u>	2020.11.06-2025.11.06 Principal is repayable on maturity date.	Fixed interest rate of 0.46%, interest is paid annually.
	<u>\$ 45,078,282</u>	<u>\$ 33,019,751</u>		

(Concluded)

25. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Principal of structured products	\$ 15,386,334	\$ 34,206,431
Overseas certificate of deposit	735,219	-
Cumulative earnings on appropriated loan fund	<u>45,529</u>	<u>42,939</u>
	<u>\$ 16,167,082</u>	<u>\$ 34,249,370</u>

26. PROVISIONS

	December 31	
	2020	2019
Provision for employee benefits	\$ 2,568,444	\$ 2,470,019
Provision for guarantee liabilities	313,880	206,051
Provision for financing commitment	216,315	141,773
Provision for decommissioning liabilities	99,072	88,106
Other	<u>15,420</u>	<u>17,876</u>
	<u>\$ 3,213,131</u>	<u>\$ 2,923,825</u>

The movements of provision for financing commitment, provision for guarantee liabilities and other provisions were as follows:

	For the Year Ended December 31, 2020		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	\$ 141,773	\$ 206,051	\$ 17,876
(Reversal of) provision	79,982	108,511	(1,708)
Effect of exchange rate changes	<u>(5,440)</u>	<u>(682)</u>	<u>(748)</u>
Balance, December 31	<u>\$ 216,315</u>	<u>\$ 313,880</u>	<u>\$ 15,420</u>

	For the Year Ended December 31, 2019		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	\$ 210,276	\$ 198,466	\$ 5,762
(Reversal of) provision	(67,626)	8,203	12,719
Effect of exchange rate changes	<u>(877)</u>	<u>(618)</u>	<u>(605)</u>
Balance, December 31	<u>\$ 141,773</u>	<u>\$ 206,051</u>	<u>\$ 17,876</u>

27. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2020	2019
Recognized in consolidated balance sheets (payables and provisions)		
Defined contribution plans	\$ 40,797	\$ 38,467
Defined benefit plans	2,245,203	2,169,135
Preferential interest on employees' deposits	293,173	279,377
Deferred annual leave and retirement benefits	<u>30,068</u>	<u>21,507</u>
	<u>\$ 2,609,241</u>	<u>\$ 2,508,486</u>

a. Defined contribution plans

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

Overseas branches and overseas subsidiaries' defined contribution plans are in accordance with local regulations.

The total expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 of \$248,577 and \$229,191 respectively, represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

b. Defined benefit plans

For the Bank employees who adopt for defined benefit plans regulated by the Labor Standards Act, the retirement benefits are paid to employees as follow: (i) a lump sum payment equal to two base units for each year of service; (ii) that each year of service exceeding 15 years is entitled to only one base unit of wage; and (iii) that the maximum payment is for up to 45 base units. Any fraction of a year that is equal to six months or more is counted as one year of service, and any fraction of a year that is less than six months is counted as half a year of service.

Pension contributions are deposited in the Trust department of Bank of Taiwan and Bank SinoPac in the Organization of Supervisory Committee of Business Entities' Labor Retirement Reserve's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Trust department of Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 5,241,258	\$ 5,150,594
Fair value of plan assets	<u>(2,996,055)</u>	<u>(2,981,459)</u>
Deficit	2,245,203	2,169,135
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability	<u>\$ 2,245,203</u>	<u>\$ 2,169,135</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2019	<u>\$ 5,097,931</u>	<u>\$ (2,903,417)</u>	<u>\$ 2,194,514</u>
Service cost			
Current service cost	71,688	-	71,688
Past service cost	-	-	-
Net interest expense (income)	<u>50,339</u>	<u>(29,483)</u>	<u>20,856</u>
Recognized in (profit) or loss	<u>122,027</u>	<u>(29,483)</u>	<u>92,544</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(55,425)	(55,425)
Actuarial (gain) loss - changes in financial assumptions	138,560	-	138,560
Actuarial (gain) loss - changes in demographic assumptions	600	-	600
Actuarial (gain) loss - experience adjustments	<u>35,359</u>	<u>-</u>	<u>35,359</u>
Recognized in other comprehensive income	<u>174,519</u>	<u>(55,425)</u>	<u>119,094</u>
Contributions from the employer	-	(239,770)	(239,770)
Benefits paid	(269,203)	269,203	-
Pay off or reduce the payment	-	-	-
Effect of people integration	<u>25,320</u>	<u>(22,567)</u>	<u>2,753</u>
Balance at December 31, 2019	<u>\$ 5,150,594</u>	<u>\$ (2,981,459)</u>	<u>\$ 2,169,135</u>
Balance at January 1, 2020	<u>\$ 5,150,594</u>	<u>\$ (2,981,459)</u>	<u>\$ 2,169,135</u>
Service cost			
Current service cost	65,315	-	65,315
Past service cost	-	-	-
Net interest expense (income)	<u>37,928</u>	<u>(22,482)</u>	<u>15,446</u>
Recognized in (profit) or loss	<u>103,243</u>	<u>(22,482)</u>	<u>80,761</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(63,229)	(63,229)
Actuarial (gain) loss - changes in financial assumptions	243,776	-	243,776
Actuarial (gain) loss - changes in demographic assumptions	154	-	154
Actuarial (gain) loss - experience adjustments	<u>21,439</u>	<u>-</u>	<u>21,439</u>
Recognized in other comprehensive income	<u>265,369</u>	<u>(63,229)</u>	<u>202,140</u>
Contributions from the employer	-	(206,833)	(206,833)
Benefits paid	(277,948)	277,948	-
Pay off or reduce the payment	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 5,241,258</u>	<u>\$ (2,996,055)</u>	<u>\$ 2,245,203</u>

The plan assets' actual returns were \$85,711 and \$84,908 for the years ended December 31, 2020 and 2019.

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate	0.30%	0.75%
Expected rate of salary increase	1.75%	1.75%
Turnover rate	0.45%	0.46%

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

	December 31	
	2020	2019
Discount rate (2020: 0.30%; 2019: 0.75%)		
0.25% increase	<u>\$ (137,399)</u>	<u>\$ (139,338)</u>
0.25% decrease	<u>\$ 142,506</u>	<u>\$ 144,700</u>
Expected rate of salary increase (1.75%)		
0.25% increase	<u>\$ 140,087</u>	<u>\$ 142,891</u>
0.25% decrease	<u>\$ (135,802)</u>	<u>\$ (138,326)</u>
Turnover rate (2020: 0.45%; 2019: 0.46%)		
110% of expected turnover rate	<u>\$ (166)</u>	<u>\$ (300)</u>
90% of expected turnover rate	<u>\$ 167</u>	<u>\$ 301</u>

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

	December 31	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 214,739</u>	<u>\$ 219,393</u>
The average duration of the defined benefit obligation	10 years	11 years

c. Preferential interest on employees' deposits

The Bank offers preferential interest on employees' deposits to both current and retired employees.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate	4.00%	4.00%
Expected interest rate on preferential interest on employees' deposits		
Manager	6.84%	7.09%
Staff	13.00%	13.00%
Normal deposit interest rate	0.84%	1.09%
Return on deposits	2.00%	2.00%
Excess preferential interest		
Manager	4.00%	4.00%
Staff	10.16%	9.91%
The probability of preferential interest on employees' deposits is canceled within ten years	50.00%	50.00%

The amounts included in the consolidated balance sheets arising from the Bank's obligation in respect of its preferential interest on employee's deposits were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 293,173	\$ 279,377
Fair value of plan assets	-	-
Deficit	293,173	279,377
Asset ceiling	-	-
Net defined benefit liability	<u>\$ 293,173</u>	<u>\$ 279,377</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2019	<u>\$ 264,531</u>	<u>\$ -</u>	<u>\$ 264,531</u>
Service cost			
Past service cost	29,233	-	29,233
Interest expense	<u>6,007</u>	<u>-</u>	<u>6,007</u>
Recognized in (profit) or loss	<u>35,240</u>	<u>-</u>	<u>35,240</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Actuarial (gain) loss - experience adjustments	\$ 1,567	\$ -	\$ 1,567
Actuarial (gain) loss - changes in assumptions	<u>-</u>	<u>-</u>	<u>-</u>
Recognized in other comprehensive income	<u>1,567</u>	<u>-</u>	<u>1,567</u>
Benefits paid	<u>(21,961)</u>	<u>-</u>	<u>(21,961)</u>
Balance at December 31, 2019	<u>\$ 279,377</u>	<u>\$ -</u>	<u>\$ 279,377</u>
Balance at January 1, 2020	<u>\$ 279,377</u>	<u>\$ -</u>	<u>\$ 279,377</u>
Service cost			
Past service cost	24,042	-	24,042
Interest expense	<u>6,024</u>	<u>-</u>	<u>6,024</u>
Recognized in (profit) or loss	<u>30,066</u>	<u>-</u>	<u>30,066</u>
Remeasurement			
Actuarial (gain) loss - experience adjustments	7,275	-	7,275
Actuarial (gain) loss - changes in assumptions	<u>-</u>	<u>-</u>	<u>-</u>
Recognized in other comprehensive income	<u>7,275</u>	<u>-</u>	<u>7,275</u>
Benefits paid	<u>(23,545)</u>	<u>-</u>	<u>(23,545)</u>
Balance at December 31, 2020	<u>\$ 293,173</u>	<u>\$ -</u>	<u>\$ 293,173</u> (Concluded)

28. OTHER LIABILITIES

	December 31	
	2020	2019
Guarantee deposits received	\$ 4,720,081	\$ 1,786,473
Temporary receipt and suspense accounts	597,313	652,449
Advance receipts	249,332	167,065
Deferred revenue	101,752	304,542
Others	<u>43,387</u>	<u>32,590</u>
	<u>\$ 5,711,865</u>	<u>\$ 2,943,119</u>

29. INCOME TAX

Under Article 49 of the Financial Holding Company Act and related directives issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings. Thus, SPH adopted the linked-tax system for income tax and unappropriated earnings tax filings with its qualified subsidiaries since 2003.

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
Current period	\$ 1,329,631	\$ 1,614,451
Adjustments for prior period	(9,042)	(13,732)
Other	-	5,258
Deferred tax		
Temporary adjustment	<u>(54,376)</u>	<u>131,557</u>
Income tax expenses recognized in profit or loss	<u>\$ 1,266,213</u>	<u>\$ 1,737,534</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 11,020,313</u>	<u>\$ 12,028,521</u>
Income tax expense calculated at the statutory rate (20%)	\$ 2,204,063	\$ 2,405,704
Tax effect of adjusting items:		
Additional income tax under the Alternative Minimum Tax Act	278,717	-
Effect number of difference tax rates in several other operating subsidiaries	2,463	5,576
Unrecognized temporary difference	(661)	17,075
Adjustments for prior years' tax	(9,042)	(13,732)
Tax-exempt income	(191,381)	(72,957)
Permanent difference	(1,030,199)	(612,023)
Others	<u>12,253</u>	<u>7,891</u>
Income tax expense recognized in profit or loss	<u>\$ 1,266,213</u>	<u>\$ 1,737,534</u>

The ROC Income Tax Act was 20%. The rate of unappropriated earnings was 5%. The income tax rate that is applicable to the subsidiaries in China is 25%; other jurisdictions are calculated based on the respective income tax rate.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
Adjustments of current period		
Defined benefit plans remeasurement	\$ 41,883	\$ 24,132
Unrealized gains on financial assets at fair value through other comprehensive income	19,961	(26,764)
Exchange difference on translating foreign operations	<u>(21,962)</u>	<u>68,400</u>
Income tax recognized in other comprehensive income	<u>\$ 39,882</u>	<u>\$ 65,768</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
<u>Current tax assets</u>		
Receivables from adopting the linked-tax system	\$ 1,060,924	\$ 1,276,102
Subsidiary tax receivable	5,613	3,748
Others	<u>138,943</u>	<u>140,980</u>
	<u>\$ 1,205,480</u>	<u>\$ 1,420,830</u>
<u>Current tax liabilities</u>		
Payables for adopting the linked-tax system	\$ 359,498	\$ 811,552
Subsidiary tax payable	-	42,344
Others	<u>82,306</u>	<u>70,543</u>
	<u>\$ 441,804</u>	<u>\$ 924,439</u>

d. Deferred tax assets and liabilities

	December 31	
	2020	2019
<u>Deferred tax assets</u>		
Provision	\$ 672,237	\$ 728,766
Provision for defined benefit	457,303	437,614
Exchange differences on translating foreign operations	147,601	169,563
Exchange and derivative products unrealized losses	66,119	-
Others	<u>67,843</u>	<u>43,249</u>
	<u>\$ 1,411,103</u>	<u>\$ 1,379,192</u>
<u>Deferred tax liabilities</u>		
Land value increment tax	\$ 587,038	\$ 587,038
Investments accounted for using the equity method	120,358	162,695
Exchange and derivative products unrealized gains	-	16,669
Others	<u>64,661</u>	<u>70,391</u>
	<u>\$ 772,057</u>	<u>\$ 836,793</u>

Deferred tax expenses recognized in profit or loss were as follows:

	For the Year Ended December 31	
	2020	2019
Provision	\$ 57,568	\$ (8,363)
Provision for defined benefit	22,195	25,349
Loss carryforwards	-	166,504
Investments accounted for using the equity method	(42,337)	22,245
Unrealized gains or losses on exchanges and derivative instruments	(82,787)	(78,250)
Others	<u>(9,015)</u>	<u>4,072</u>
	<u>\$ (54,376)</u>	<u>\$ 131,557</u>

The Bank did not have unused loss carryforwards as of December 31, 2020.

- e. The Bank's tax returns through 2015 had been assessed by the tax authorities.
- f. SinoPac Call Center, SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. were merged into Bank SinoPac in 2019. The assessed years of profit-seeking enterprise income tax were as follows:

	Assessment Year
SinoPac Call Center	2015
SinoPac Life Insurance Agent Co., Ltd.	A current final report on total business income from January 1 to July 31, 2019
SinoPac Property Insurance Agent Co., Ltd.	A current final report on total business income from January 1 to July 31, 2019

30. EQUITY

- a. Common stock

The Bank's authorized capital is \$100,000,000. And the Bank issued 10,000,000 thousand common stock with par value of NT\$10. The Bank's shares issued and fully paid capital is \$86,061,159 which is 8,606,116 thousand common stock.

- b. Capital surplus

The premium from shares issued in excess of par (share premium from issuance of common stock, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Group has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year).

On July 25, 2014, the board of directors of the parent company of the Bank, SPH, approved a capital increase and retained 10% of shares for subscription by the Bank's employees. The Bank's capital surplus - employee share options, which was determined on the basis of the grant-date fair value of the employee share options, was \$67,511 in 2014.

c. Other equity items

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total
		Equity Instrument	Debt Instrument		
Balance January 1, 2020	\$ (670,011)	\$ 831,379	\$ 898,594	\$ (68,042)	\$ 991,920
Exchange differences					
Exchange differences on translation of foreign operations	109,809	-	-	-	109,809
Related income tax	(21,962)	-	-	-	(21,962)
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	1,037,082	3,241,334	-	4,278,416
Adjustment for loss allowance of debt instruments	-	-	23,573	-	23,573
Current disposal	-	-	(802,244)	-	(802,244)
Cumulative realized gain or loss transferred to retained earnings due to disposal	-	(7,329)	-	-	(7,329)
Related income tax	-	-	19,961	-	19,961
Change in fair value of financial liability attributable to change in credit risk of liability					
Change in amount	-	-	-	(14,301)	(14,301)
Balance December 31, 2020	<u>\$ (582,164)</u>	<u>\$ 1,861,132</u>	<u>\$ 3,381,218</u>	<u>\$ (82,343)</u>	<u>\$ 4,577,843</u>

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total
		Equity Instrument	Debt Instrument		
Balance January 1, 2019	\$ (396,410)	\$ 552,135	\$ (178,523)	\$ (7,836)	\$ (30,634)
Exchange differences					
Exchange differences on translation of foreign operations	(342,001)	-	-	-	(342,001)
Related income tax	68,400	-	-	-	68,400
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	279,244	1,682,632	-	1,961,876
Adjustment for loss allowance of debt instruments	-	-	12,165	-	12,165

(Continued)

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total
		Equity Instrument	Debt Instrument		
Current disposal	\$ -	\$ -	\$ (590,916)	\$ -	\$ (590,916)
Related income tax	-	-	(26,764)	-	(26,764)
Change in fair value of financial liability attributable to change in credit risk of liability					
Change in amount	-	-	-	(60,206)	(60,206)
Balance December 31, 2019	<u>\$ (670,011)</u>	<u>\$ 831,379</u>	<u>\$ 898,594</u>	<u>\$ (68,042)</u>	<u>\$ 991,920</u> (Concluded)

d. Earnings distribution and dividend policy

The Bank's Articles of Incorporation provide that annual net income should be appropriated after it has:

- 1) Deducted any deficit of prior years;
- 2) Paid all outstanding taxes;
- 3) Set aside 30% of remaining earnings as legal reserve;
- 4) Set aside any special reserve or retained earnings allocated at its option;
- 5) Allocated shareholders' dividends.

The Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, above allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

The Bank meets the required financial position; thus, the limitation on the setting aside of earnings to legal reserve under the Company Act is not applicable.

To comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the "Balanced Dividend Policy".

Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared if the Bank's CAR is above 10% and stock dividends may be declared if the CAR is equal to or less than 10%. However, the Bank may make discretionary cash distribution even if the CAR is below 10%, if approved at the shareholders' meeting, for the purpose of maintaining the cash dividends at a certain level in any given year.

Cash dividends and cash bonus are paid after the approval of the shareholders, while the distribution of stock dividends requires the additional approval of the authorities.

Under the Company Act, legal reserve shall be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

Under Article 50-2 of the Banking Act revised on December 30, 2008, when legal reserve has meet the total capital reserve or required financial position, the setting aside of earnings to legal reserve under the Company Act is not limited to the restriction that 30% of remaining earnings shall be set aside as legal reserve or the limitation on the appropriation of the remainder and retained earnings from previous year to 15% of total capital reserve when legal reserve has not meet the total capital reserve. The requirements for financial position of banks to be established in accordance with this Act revised on April 30, 2012 shall be as prescribed by the FSC, Executive Yuan, ROC.

According to FSC Order No. 1010012865 and the rule of "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs", of amount of equal to the net debit balance of shareholders' other equity items shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated.

Under Order No. 10510001510 (repealed on May 15, 2019, replaced by No. 10802714560 issued by the FSC), issued by the FSC on May 25, 2016, before dispatching the net income of 2016 through 2018, the Public Bank shall reserve 0.5% to 1% of net income as special reserve. Under Order No. 10802714560 issued by the FSC, it is no longer necessary to use special reserve as a way in response to the development of financial technology and the protection of the rights of employees in domestic banks from the fiscal year of 2019. The Bank can reserve the expenditure for employee transfer or placement and for employee training in financial technology development or banking business development.

Under the Financial Holding Company Act, the board of directors is empowered to execute the authority of the shareholders' meeting, which is under no jurisdiction in the related regulations in the Company Act.

The appropriations of earnings for 2018 have been proposed by the Bank's board of directors (on behalf of the shareholder's meeting) on June 21, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,804,524	
Reversal of special reserve	(86,803)	
Cash dividends	6,630,694	\$0.77046299

The appropriations of earnings for 2019 have been proposed by the Bank's board of directors (on behalf of the shareholder's meeting) on May 22, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 3,058,337	
Reversal of special reserve	(45,444)	
Cash dividends	7,181,565	\$0.83447222

The appropriations of earnings for 2020 have been proposed by the Bank's board of directors on March 12, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,878,169	
Reversal of special reserve	(12,307)	
Cash dividends	5,900,000	\$ 0.68555898
Stock dividends	828,035	0.09621465

The board of directors approved the 2020 appropriations of earnings on March 12, 2021, that will be resolved by shareholder's resolution (on behalf of the shareholder's meeting) in 2021.

In accordance with FSC Guideline No. 09900146911, cash dividends and bonus to shareholders for 2009 amounting to \$1,435,025 shall not be remitted to the parent company until the land transferred to SPL from the Bank is disposed and the gain is realized.

31. NET INTEREST REVENUE

	For the Year Ended December 31	
	2020	2019
Interest income		
Loans	\$ 21,378,123	\$ 23,036,182
Security investments	5,849,055	4,874,513
Due from the Central Bank and call loans to banks	1,041,155	2,134,657
Credit card revolving interest rate income	541,411	600,399
Securities purchased under resell agreements	155,709	310,057
Accounts receivable-forfaiting	120,327	224,007
Others	<u>327,801</u>	<u>435,641</u>
	<u>29,413,581</u>	<u>31,615,456</u>
Interest expenses		
Deposits	(10,151,256)	(13,951,166)
Bank debentures	(773,130)	(791,973)
Call loans from banks	(569,102)	(963,191)
Interest expense of structured products	(551,976)	(574,339)
Securities sold under repurchase agreements	(81,467)	(231,224)
Others	<u>(132,052)</u>	<u>(122,409)</u>
	<u>(12,258,983)</u>	<u>(16,634,302)</u>
Net amount	<u>\$ 17,154,598</u>	<u>\$ 14,981,154</u>

32. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2020	2019
Service fee income		
Insurance services	\$ 2,601,050	\$ 2,427,463
Trust and related services	2,206,242	1,866,676
Loan services	1,306,638	963,145
Credit card services	867,333	1,024,301
Others	<u>999,918</u>	<u>910,042</u>
	<u>7,981,181</u>	<u>7,191,627</u>
Service fee expenses		
Credit card services	(542,426)	(512,761)
Interbank services	(218,480)	(170,002)
Trust services	(153,511)	(128,542)
Foreign exchange transaction	(50,320)	(53,906)
Insurance services	(46,088)	(64,885)
Others	<u>(264,417)</u>	<u>(268,870)</u>
	<u>(1,275,242)</u>	<u>(1,198,966)</u>
Net amount	<u>\$ 6,705,939</u>	<u>\$ 5,992,661</u>

33. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

	For the Year Ended December 31	
	2020	2019
Disposal gain (loss) on financial assets and liabilities at fair value through profit or loss		
Government bonds	\$ 750,152	\$ 388,605
Corporate bonds	133,018	2,398
Bank debentures	(22,874)	353,563
Currency swap contracts and hybrid FX swap structured instruments	1,644,092	2,998,287
Cross-currency swap contracts	(49,695)	(213,370)
Forward contracts	(413,637)	295,646
Future contracts	(441,987)	(83,788)
Option contracts	(463,019)	(171,047)
Interest rate swap contracts	(1,403,587)	757,484
Others	<u>73,269</u>	<u>67,216</u>
	<u>(194,268)</u>	<u>4,394,994</u>
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss		
Bank debentures	(38,255)	(217,224)
Interest rate swap contracts	2,084,467	(579,688)
Option contracts	(42,468)	126,816
Currency swap contracts and hybrid FX swap structured instruments	(630,005)	351,092
Others	<u>(37,679)</u>	<u>(157,194)</u>
	<u>1,336,060</u>	<u>(476,198)</u>
Interest revenues	<u>360,159</u>	<u>306,529</u>
	<u>\$ 1,501,951</u>	<u>\$ 4,225,325</u>

34. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2020	2019
Dividend revenue		
Holding at the end of the reporting period	\$ 354,071	\$ 89,302
Disposal in the reporting period	46,631	-
Gain or loss from disposal of debt instruments	<u>802,244</u>	<u>590,916</u>
	<u>\$ 1,202,946</u>	<u>\$ 680,218</u>

35. NET OTHER REVENUE OTHER THAN INTEREST INCOME

	For the Year Ended December 31	
	2020	2019
Rental income	\$ 91,238	\$ 92,544
Operating assets rental income	27,671	27,629
Insurance claims income	22,382	960
Transaction bonus	11,280	15,240
Gain on disposal of assets	-	64,973
Others	<u>28,332</u>	<u>37,192</u>
	<u>\$ 180,903</u>	<u>\$ 238,538</u>

36. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2020	2019
Salaries and wages	\$ 7,310,197	\$ 6,981,699
Labor insurance and national health insurance	505,316	461,463
Pension costs	329,338	321,745
Cash-settled share based payment transaction	38,774	-
Others	<u>678,895</u>	<u>708,007</u>
	<u>\$ 8,862,520</u>	<u>\$ 8,472,914</u>

The Bank's Articles of Incorporation provide that the Bank shall allocate from annual profit more than 0.5% as employees' compensation and not more than 1% as remuneration of directors. But if there are accumulated losses, the Bank should make up for the losses first.

The employees' compensation and the remuneration of directors recognized were estimated on the basis of the provisions of the Bank's Articles of Incorporation and past experience. The Bank accrued both \$60,000 as employees' compensation and \$18,000 and \$20,000 as remuneration of directors for the years ended December 31, 2020 and 2019.

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

The board of directors approved \$60,000 as employees' compensation and \$18,000 as remuneration of directors on January 29, 2021 and February 26, 2021, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash.

The board of directors approved \$60,000 as employees' compensation and \$20,000 as remuneration of directors on January 17, 2020 and March 13, 2020, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash. The Bank's board of directors resolved the remuneration of employees, directors and supervisors on behalf of the shareholder on May 22, 2020.

The information on employees' compensation and the remuneration of directors is available at the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

For short-term and long-term compensation, SPH, parent company, has set up a long-term incentive compensation plan, which defers the delivery of performance bonus to the Group's high level managers, and links the stock price of SPH with the long term performance index. The Bank expects to use virtual stocks and future stock price to calculate the compensation and deliver in cash. The Group recognize the compensation as cash-settled share-based employee benefits expense.

37. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2020	2019
Depreciation expense		
Land improvements	\$ 23	\$ 14
Buildings	149,798	145,124
Machinery and computer equipment	241,147	170,140
Other equipment	80,784	74,598
Leasehold improvements	79,483	81,072
Right-of-use assets	577,818	677,616
	<u>1,129,053</u>	<u>1,148,564</u>
Amortization expense	<u>199,626</u>	<u>169,539</u>
	<u>\$ 1,328,679</u>	<u>\$ 1,318,103</u>

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2020	2019
Taxation and fees	\$ 1,212,270	\$ 1,271,262
Marketing	542,807	668,890
Automated equipment	483,335	420,951
Professional advisory	479,648	504,949
Location fee	409,654	405,166
Insurance	331,032	292,515
Communications expense	286,774	260,753
Others	657,556	634,069
	<u>\$ 4,403,076</u>	<u>\$ 4,458,555</u>

39. EARNINGS PER SHARE

Basic earnings per share is calculated by the gain or loss attributed to the Bank's shareholder divided by the weighted-average number of common stock outstanding.

Dollar per share

	<u>For the Year Ended December 31</u>	
	2020	2019
Basic EPS	<u>\$ 1.13</u>	<u>\$ 1.20</u>

The weighted-average number of common stock outstanding in the computation of basic EPS are as follows:

Net income

	<u>For the Year Ended December 31</u>	
	2020	2019
Net income for calculating basic EPS	<u>\$ 9,754,100</u>	<u>\$ 10,290,987</u>

Shares

(Shares in Thousands)

	<u>For the Year Ended December 31</u>	
	2020	2019
The weighted-average number of common stock outstanding in the computation of basic EPS	<u>8,606,116</u>	<u>8,606,116</u>

40. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other notes to the consolidated financial statements, transactions, between the Group and other related parties are summarized as follows:

a. Related parties and their relationships with the Group

<u>Related Party</u>	<u>Relationship with the Group</u>
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Securities Investment Service Co., Ltd. (SinoPac Securities Investment Service)	Subsidiary of SinoPac Securities
SinoPac Securities Venture Capital Corporation (SinoPac Securities Venture Capital)	Subsidiary of SinoPac Securities

(Continued)

Related Party	Relationship with the Group
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Capital International Limited	Subsidiary of SPL
Nuvoton Technology Corp. (Nuvoton Technology)	Affiliate of SPH's chairman's spouse
Taiwan Stock Exchange (TWSE)	Affiliate of the SPH's general manager
Taipei Forex Inc. (TAIFX)	Affiliate of the Bank's general manager
Sun He Energy Co., Ltd. (Sun He Energy)	Corporate director of SinoPac Venture Capital
Yuen Foong Paper Co., Ltd. (Yuen Foong Paper)	Affiliate of SPH's corporate director
Hsin Yi Recreation Enterprise Co., Ltd. (Hsin Yi Recreation)	Affiliate of SPH's corporate director
Shin Yuan Investment Co., Ltd. (Shin Yuan Investment)	Affiliate of SPH's corporate director
Quanta Computer Co., Ltd. (Quanta Computer)	Affiliate of SPH's director
Pegatron Corporation (Pegatron)	Affiliate of SPH's director
Foundation of Private School	Affiliate of SPH's director
Chunghwa Telecom Co., Ltd. (Chunghwa Telecom)	Affiliate of the Bank's director
Taiwan Riken Industrial Co., Ltd. (Taiwan Riken Industrial)	Affiliate of SinoPac Securities' director
Taipei Fubon Commercial Bank Co., Ltd. (Taipei Fubon Bank)	Affiliate of SPL's director
Tatung Company	Affiliate of SPL's director
Hua Nan Commercial Bank, Ltd. (Hua Nan Bank)	Affiliate of SPL director's spouse
Boardtek Electronics Corporation (Boardtek Electronics)	Affiliate of SPH's manager
Hotai Investment Limited (Hotai Investment)	Affiliate of the Bank's manager
Taiwan Securities Association	Affiliate of the SinoPac Securities' manager
Grand Bills Finance Corp. (Grand Bills Finance)	Affiliate of the SPH's manager's spouse
Tsann Kuen Enterprise Co., Ltd. (Tsann Kuen Enterprise)	Affiliate of the Bank's manager's spouse
Mechema Chemicals International Corp. (Mechema Chemicals)	Affiliate of the Bank's manager's spouse
Chailease Auto Rental Co., Ltd. (Chailease Auto Rental)	Affiliate of the Bank's manager's spouse
Evercast Precision Industry Corporation (Evercast Precision)	Affiliate of first-degree kin of the Bank's manager
Taiwan Printed Circuit Board Techvest Co., Ltd. (Taiwan PCB Techvest)	Affiliate of first-degree kin of the Bank's manager
Kim Great Co., Ltd. (Kim Great)	Affiliate of second-degree kin of the Bank's manager
Hao-Xin-Di Co., Ltd. (Hao-Xin-Di)	Affiliate of second-degree kin of the Bank's manager
Shyang Yih Logistics Co., Ltd. (Shyang Yih Logistics)	Affiliate of third-degree kin of the Bank's manager (before June 2020)
Hao Yu Co., Ltd. (Hao Yu)	Affiliate of second-degree-in-laws of the Bank's manager
Chen Shih Automation Industrial Co., Ltd. (Chen Shih Automation Industrial)	Affiliate of second-degree-in-laws of the Bank's manager
Greatwell Enterprise Co., Ltd. (Greatwell Enterprise)	Affiliate of second-degree-in-laws of the Bank's manager
YFY International BVI Corp. (YFY International)	Related party
YFY Cayman Co., Ltd. (YFY Cayman)	Related party
YFY Packaging (YangZhou) Investment Ltd. (YFY Packaging (YangZhou))	Related party

(Continued)

Related Party	Relationship with the Group
Universal Cement Corporation (Universal Cement)	Related party
Hoss Venture Inc. (Hoss Venture)	Related party
Syntera International Investment Inc. (Syntera International Investment)	Related party
Hydis Technologies Co., Ltd.	Related party
Hsin-Yi Foundation	Related party
E Ink Holdings Inc. (E Ink Holdings)	Related party
Foundation of Fire Fighting Development	Related party
YuanHan Material Inc. (YuanHan Material)	Related party
YFY Investment Ltd. (YFY Investment)	Related party
SinoPac Securities Investment Trust Funds	Related party
Tech Smart Logistics Ltd.	Related party
Shin Foong Specialty And Applied Materials Co., Ltd. (Shin Foong Specialty And Applied Materials)	Related party
Dream Universe Limited	Related party
New Field E-Paper Co., Ltd. (New Field E-Paper)	Related party
Transcend Optronics (YangZhou) Co., Ltd. (Transcend Optronics (YangZhou))	Related party
YFY Biotech Management Co., Ltd. (YFY Biotech Management)	Related party
PVI Global Corporation	Related party
China Color Printing Co., Ltd. (China Color Printing)	Related party
TransYork Technology (YangZhou) Ltd. (TransYork Technology (YangZhou))	Related party
Yong Hsin Yi Enterprise Co., Ltd. (Yong Hsin Yi Enterprise)	Related party
Hoss Capital Inc. (Hoss Capital)	Related party
Foongtone technology Co., Ltd. (Foongtone technology)	Related party
Willpower Industries Limited	Related party
Taigen Biotechnology Co., Ltd. (Taigen Biotechnology)	Related party
Rich Optronics (YangZhou) Co., Ltd. (Rich Optronics (YangZhou))	Related party
Chi Lin Investment Ltd. (Chi Lin Investment)	Related party (before Jan 2020)
Shen's Art Printing Co., Ltd. (Shen's Art Printing)	Related party
Yuen Foong Shop Co., Ltd. (Yuen Foong Shop)	Related party
YFY Biotech Co., Ltd. (YFY Biotech)	Related party
Others	The Group's directors, supervisors, managers and their relatives, department chiefs, investments accounted for using the equity method and their subsidiaries, and investees of SPH's other subsidiaries, etc.
	(Concluded)

b. Significant transactions with related parties

1) Due from the Central Bank and call loans to banks

For the Year Ended December 31, 2020			
	Ending Balance	Interest (%)	Interest Revenue
Call loans to banks			
Hua Nan Bank	\$ 997,793	0.05-2.37	\$ 7,336
Grand Bills Finance	-	0.45	67
For the Year Ended December 31, 2019			
	Ending Balance	Interest (%)	Interest Revenue
Call loans to banks			
Taipei Fubon Bank	\$ -	2.30-2.91	\$ 5,540
Hua Nan Bank	451,683	0.99-4.90	4,740

2) Derivative financial instruments

December 31, 2020					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Interest rate swap contracts					
SinoPac Securities	\$ 500,000	2020.3.9- 2022.3.9	\$ 703	Financial assets at fair value through profit or loss	\$ 703
SinoPac Securities	675,000	2020.8.3- 2024.8.12	(1,300)	Financial liabilities at fair value through profit or loss	1,300
Hua Nan Bank	3,546,579	2020.9.8- 2030.11.20	15,162	Financial assets at fair value through profit or loss	15,162
Hua Nan Bank	1,000,000	2020.4.13- 2030.7.9	(1,266)	Financial liabilities at fair value through profit or loss	1,266
Forward contracts					
YFY International	2,138,128	2020.10.16- 2021.6.4	46,999	Financial assets at fair value through profit or loss	46,999
Tatung Company	28,028	2020.9.17- 2021.1.27	(1,030)	Financial liabilities at fair value through profit or loss	1,030
Currency swap contracts					
SinoPac Securities	1,748,913	2020.11.23- 2021.2.26	24,044	Financial assets at fair value through profit or loss	24,044
December 31, 2019					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Interest rate swap contracts					
SinoPac Securities	\$ 600,000	2015.1.19- 2020.8.26	\$ (2,679)	Financial assets at fair value through profit or loss	\$ 1,197
SinoPac Securities	300,000	2015.9.1- 2020.9.1	1,019	Financial liabilities at fair value through profit or loss	824
Forward contracts					
YFY International	1,957,293	2019.10.8- 2020.2.26	24,486	Financial assets at fair value through profit or loss	24,486
YFY Cayman	1,204,488	2019.11.14- 2020.2.12	13,155	Financial assets at fair value through profit or loss	13,155
Boardtek Electronics	30,112	2019.10.23- 2020.1.8	(372)	Financial liabilities at fair value through profit or loss	372

3) Securities purchased under resell agreements

2020

	December 31		For the Year Ended December 31
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	\$ 969,285	\$ 829,594	\$ 15,022

2019

	December 31		For the Year Ended December 31
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	\$ 2,550,202	\$ 2,268,704	\$ 94,572

4) Receivables and payables

	December 31	
	2020	2019
Receivables		
YFY Packaging (YangZhou)	\$ 72,945	\$ 198,051
Others	<u>2,937</u>	<u>8,089</u>
	<u>\$ 75,882</u>	<u>\$ 206,140</u>
Payables		
YFY Packaging (YangZhou)	\$ 72,945	\$ 198,051
Others	<u>22,379</u>	<u>33,722</u>
	<u>\$ 95,324</u>	<u>\$ 231,773</u>
Cash dividends payable to SPH	<u>\$ 1,435,025</u>	<u>\$ 1,435,025</u>

5) Current income tax assets and liabilities

	December 31	
	2020	2019
Receivables from adopting the linked-tax system	<u>\$ 1,060,924</u>	<u>\$ 1,276,102</u>
Payables from adopting the linked-tax system	<u>\$ 359,498</u>	<u>\$ 811,552</u>

6) Loans

	For the Year Ended December 31, 2020			
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 10,806,061</u>	<u>\$ 17,266,227</u>	0-10.24	<u>\$ 167,988</u>

Category	December 31, 2020						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	296	\$ 515,494	\$ 469,781	V	-	None	Yes
Household mortgage loans	1,078	6,101,734	5,718,414	V	-	Real estate	Yes
Others:				V			
	Quanta Computer	5,117,318	-	V	-	None, Note 1	Yes
	SPL	1,070,000	970,000	V	-	Real estate	Yes
	Boardtek Electronics	900,000	900,000	V	-	Real estate	Yes
	Universal Cement	200,000	-	V	-	None, Note 1	Yes
	Evercast Precision	51,838	49,674	V	-	Real estate	Yes
	Kim Great	48,661	46,474	V	-	Real estate	Yes
	Hoss Venture	30,000	-	V	-	Real estate	Yes
	Hao Yu	16,400	11,600	V	-	Real estate	Yes
	Chen Shih Automation Industrial	15,000	15,000	V	-	Real estate	Yes
	Hao-Xin-Di	9,381	8,542	V	-	Real estate	Yes
	Greatwell Enterprise	8,200	8,200	V	-	Real estate	Yes
	Hotai Investment	3,300	3,231	V	-	Vehicle	Yes
	Others	3,178,901	2,605,145	V	-	Real estate, certificates of deposits and vehicle	Yes
	Others subtotal	10,648,999	4,617,866				
	Total	\$ 17,266,227	\$ 10,806,061				

For the Year Ended December 31, 2019

	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 9,567,674</u>	<u>\$ 10,574,133</u>	0-11.99	<u>\$ 140,174</u>

Category	December 31, 2019						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	310	\$ 517,710	\$ 467,706	V	-	None	Yes
Household mortgage loans	1,016	5,393,207	4,998,718	V	-	Real estate	Yes
Others:							
	SPL	975,000	975,000	V	-	Real estate	Yes
	Boardtek Electronics	850,000	700,000	V	-	Real estate	Yes
	Evercast Precision	75,955	51,838	V	-	Real estate	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Taiwan PCB Techvest	19,938	-	V	-	None, Note 1	Yes
	Kim Great	18,721	17,272	V	-	Real estate	Yes
	Hao-Xin-Di	9,790	9,381	V	-	Real estate	Yes
	Greatwell Enterprise	8,200	8,200	V	-	Real estate	Yes
	Shyang Yih Logistics	493	38	V	-	Vehicle	Yes
	Others	2,675,119	2,309,521	V	-	Certificates of deposits, certificates of fund, vehicle and real estate	Yes
	Others subtotal	4,663,216	4,101,250				
	Total	\$ 10,574,133	\$ 9,567,674				

Note 1: Non-related party of the Bank at the loan signing date.

Note 2: Debtors of related party loans are all within normal credit ranking. The Bank estimated the provision for doubtful debt periodically in accordance with the guidelines issued by the authority and IFRSs.

7) Guarantees

December 31, 2020

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
Tsann Kuen Enterprise	\$ 8,000	\$ -	\$ -	0.50%	None, Note	
Others	2	-	-	1.75%	None, Note	

December 31, 2019

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
Tsann Kuen Enterprise	\$ 28,000	\$ 8,000	\$ -	0.50%	None, Note	
Others	146	2	-	1.75%-2.25%	None, Note	

Note: It is non-related party at the Bank at the loan's sign date.

8) Financial assets at fair value through other comprehensive income

	<u>December 31</u>	
	2020	2019
Equity instrument		
Quanta Computer	\$ 266,161	\$ -
TAIFX	16,055	19,836
Debt instrument		
Hua Nan Bank	4,998,609	1,000

9) Other financial assets

The Bank had interest revenue from call loans to security corporations for the years ended December 31, 2020 and 2019 were \$57 and \$133, respectively.

10) Property and equipment

For the years ended December 31, 2020 and 2019, the Bank purchased property and equipment from its related parties for a total price of \$21,532 and \$17,207, recognized as machinery and computer and prepayments for equipment.

The Bank leased other equipment from SPL, due to the date, December 31, 2020 and 2019, the carrying amount were \$117 and \$188, respectively.

11) Intangible assets

For the years ended December 31, 2020 and 2019, the Bank purchased computer software from its related parties in the amount of \$13,148 and \$22,563, respectively, recognized under intangible assets.

12) Other assets

	December 31	
	2020	2019
Prepayments		
Others	\$ 5,108	\$ 5,480
Guarantee deposits		
SinoPac Futures	298,336	348,052
Others	8,382	9,370

The Bank signed an agreement with other related parties for the purchase. The Bank paid \$93,996 and \$44,482 for the years ended December 31, 2020 and 2019, which were recorded as prepayments (other assets) or other operating expenses.

The amount of undiscounted guarantee deposits from lease contract were \$12,903 and \$14,162 as of December 31, 2020 and 2019.

The amount of interest revenue through above guarantee for the years ended December 31, 2020 and 2019 were \$172 and \$366, respectively.

13) Notes and bonds transaction

	For the Year Ended December 31, 2020	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Hua Nan Bank	\$ 6,174,182	\$ 1,174,944
SPH	2,000,000	-
SPL	167,972	167,986
Syntera International Investment	19,997	19,998
SinoPac Securities	-	14,600,000
Mechema Chemicals	-	29,994

	For the Year Ended December 31, 2019	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Hua Nan Bank	\$ 2,702,672	\$ 2,705,613
Taipei Fubon Bank	2,400,150	400,409
Chailease Auto Rental	199,928	199,993
SPL	99,962	99,995
SinoPac Securities	-	8,200,000

14) Deposits from the Central Bank and banks

2020

	December 31		For the Year Ended December 31
	Ending Balance	Interest Rates (%)	Interest Expense
Hua Nan Bank	\$ 1,282,877	0.08-12.00	\$ 3,704

2019

	December 31		For the Year Ended December 31
	Ending Balance	Interest Rates (%)	Interest Expense
Hua Nan Bank	\$ 256,100	0.70-5.00	\$ 5,611
Taipei Fubon Bank	-	0.05-4.40	898

15) Deposits

2020

	December 31		For the Year Ended December 31
	Ending Balance	Interest Rates (%)	Interest Expense
	<u>\$ 63,711,992</u>	0-13	<u>\$ 294,850</u>
	Ending Balance	Interest Rates (%)	
Quanta Computer	\$ 15,500,906	0-0.76	
Pegatron	14,664,985	0.03-0.76	
SinoPac Securities	6,781,400	0-1.01	
SinoPac Securities (Asia) Ltd.	3,451,570	0-2.4	
SinoPac Capital International Limited	2,139,981	0.001-0.2	
Hydis Technologies Co., Ltd.	1,555,868	0.03	
Hsin-Yi Foundation	868,661	0.01-1.75	
Nuvoton Technology	734,300	0.01-0.49	
E Ink Holdings	729,138	0.001-0.815	
Foundation of Fire Fighting Development	729,042	0-0.84	
YuanHan Material	713,395	0.001-0.815	
YFY Investment	658,150	0.05-2.025	
SinoPac TWD Money Market Fund	500,132	0.03	
Tech Smart Logistics Ltd.	449,717	0.03	
Shin Foong Specialty And Applied Materials	419,065	0.03-0.57	

(Continued)

	Ending Balance	Interest Rates (%)
Dream Universe Limited	\$ 347,126	0.05
SinoPac Venture Capital	324,506	0.01-0.38
New Field E-Paper	316,794	0.03
Hsin Yi Recreation	309,018	0.03-1.5
Transcend Optronics (YangZhou)	286,774	0.05-0.6
YFY Biotech Management	282,956	0-0.76
PVI Global Corporation	271,008	0.05
China Color Printing	270,226	0.03-0.815
TWSE	200,000	0.03-1.01
SinoPac Securities Investment Service	183,163	0-0.815
TransYork Technology (YangZhou)	169,957	0.05
SinoPac Securities Venture Capital	167,922	0.03
Foundation of Private School	151,172	0-0.83
SPH	139,621	0-0.03
Sun He Energy	138,823	0.03
Yong Hsin Yi Enterprise	131,036	0.03-1.55
Hoss Capital	126,309	0.03-1.4
Shin Yuan Investment	120,156	0.001-0.55
Foongtone technology	116,908	0-1.35
Willpower Industries Limited	116,304	0.03-0.3
Taiwan Securities Association	114,947	0.08-0.84
Yuen Foong Paper	111,467	0-1.065
Taiwan Riken Industrial	110,902	0-2.3
Taigen Biotechnology	105,566	0-1.01
Others	<u>9,203,021</u>	0-13
	<u>\$ 63,711,992</u>	(Concluded)

2019

	December 31	For the Year Ended December 31
	Ending Balance	Interest Rates (%)
	<u>\$ 37,857,884</u>	<u>\$ 316,222</u>
	Ending Balance	Interest Rates (%)
Pegatron	\$ 15,439,232	0.12-2.5
SinoPac Securities	4,059,046	0-1.01
SinoPac Securities (Asia) Ltd.	1,720,251	0-2.52
Hydis Technologies Co., Ltd.	1,609,009	0.22-2.3
YuanHan Material	848,183	0.001-2.25
Hsin-Yi Foundation	758,860	0.01-2.8
Foundation of Fire Fighting Development	729,201	0-1.09
		(Continued)

	Ending Balance	Interest Rates (%)
E Ink Holdings	\$ 519,866	0.001-1.065
Dream Universe Limited	357,331	0.05
SinoPac Capital International Limited	351,478	0-1.25
Rich Optonics (YangZhou)	303,807	0.05-3.9
Chunghwa Telecom	300,000	0.58
Chi Lin Investment	298,020	0.07-1.065
TransYork Technology (YangZhou)	250,843	0.05-3.1
China Color Printing	234,271	0.07-1.065
SinoPac Venture Capital	227,267	0.07-2.01
Taiwan Securities Association	206,651	0.15-1.09
YFY Packaging (YangZhou)	200,646	0.35-3.6
Shin Foong Specialty And Applied Materials	199,740	0.07-1.065
Hsin Yi Recreation	183,592	0.07-2.9
Shin Yuan Investment	169,925	0.001-3
PVI Global Corporation	154,805	0.05-2.9
Yong Hsin Yi Enterprise	152,098	0.07-3
SinoPac Securities Investment Service	146,564	0-1.065
SPH	140,486	0-0.07
Yuen Foong Paper	130,144	0-1.12
Shen's Art Printing	110,004	0.07-2.2
Taiwan Riken Industrial	101,901	0-2.7
Others	<u>7,954,663</u>	0-13
	<u>\$ 37,857,884</u>	(Concluded)

16) Bank debentures

The Bank's bank debentures issued for the years ended December 31, 2020 and 2019 were underwritten by SinoPac Securities who were paid \$3,150 and \$4,650 commission fee, respectively (recognized as discount of bank debentures).

Except that related parties directly buy bank debentures issued by the Bank from the market, third subordinated bank debentures issued in 2015 by the Bank were subscribed by related parties for a total amount of \$620,000, as of the last interest payment date, on December 31, 2019.

The Bank paid interest of bank debentures for the years ended December 31, 2020 and 2019 were \$28,599 and \$33,405, respectively.

17) Other liabilities

	December 31	
	2020	2019
Guarantee deposits received	\$ 10,795	\$ 12,171
Advance receipts	58	56

18) Revenues and expenses

	For the Year Ended December 31	
	2020	2019
Lease contracts - guarantee deposits interest revenue	\$ 306	\$ 331
Lease contracts - interest expenses	32,838	7,860
Commissions and fee revenues	130,448	65,457
Commissions and fee expenses	69,326	168,366
Realized gains on financial assets at fair value through other comprehensive income	16,253	50,226
Other revenues	14,519	16,445
Lease contracts - depreciation expenses		
SPL	58,800	113,905
Others	48,246	29,674
Other general and administrative expenses	171,459	197,166

19) Operating lease

The Group as a lessee

	For the Year Ended December 31	
	2020	2019
Lease contracts - right of use, net		
SPL	\$ 675,064	\$ 724,539
Chunghwa Telecom	152,868	197,610
Others	16,814	3,575
Lease contracts - lease liability		
SPL	688,469	723,229
Chunghwa Telecom	154,074	198,183
Others	16,785	3,588

a) Guarantee deposits - 2020

Please refer to Note 40,b.12).

b) The guarantee deposits interest revenue, lease interest expense, lease depreciation expense and other lease expense (recognized as other operating expense), please refer to Note 40,b.18).

The Group as a lessor

Lessee	Rental Income		Lease Term	Receiving Frequency
	For the Year Ended December 31			
	2020	2019		
SinoPac Securities	\$ 32,338	\$ 26,106	November 2025	Rentals received monthly
SinoPac Securities Investment Trust	9,761	13,439	July 2024	Rentals received monthly
SPL	6,533	6,354	July 2021	Rentals received monthly
Yuen Foong Shop	4,317	4,339	January 2021	Rentals received monthly
Yuen Foong Yu Biotech	3,448	3,459	October 2025	Rentals received monthly
Others	6,154	8,566	April 2025	Rentals received monthly

Transactions between the Bank and the related parties are at arm's length commercial terms except for the preferential interest rates offered to employees for savings and loans up to prescribed limits.

Under the Banking Act, except for government and consumer loans, credit extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

For transactions between related parties with SinoPac Capital Limited and its subsidiaries, SinoPac Insurance Brokers and Bank SinoPac (China), the terms are similar to those transacted with unrelated parties.

c. Compensation of directors, supervisors and management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 239,881	\$ 243,320
Post-employment benefits	<u>3,550</u>	<u>3,860</u>
	<u>\$ 243,431</u>	<u>\$ 247,180</u>

The management personnel are composed of general manager, vice general manager and other employee whose job grade is higher than the former.

41. PLEDGED OR MORTGAGED ASSETS

In addition to those disclosed in other notes, pledged or restricted assets of the Group are summarized as follows:

Restricted Assets	Object	December 31		Purposes
		2020	2019	
Due from the Central Bank and call loans to banks	Deposit reserve - demand accounts	\$ 5,000,000	\$ -	Note 1
Investment in debt instruments at amortized cost	Certificates of deposits	8,142,542	8,150,561	Note 2
Investment in debt instruments at amortized cost	Government bonds	1,379,738	1,360,328	Note 3
Discounts and loans	Loans	13,801,044	1,656,802	Note 4
Other financial assets	Certificates of deposits	2,629,944	2,593,440	Note 5

Note 1: The Bank undertakes loans for small and medium enterprises and applies to the Central Bank for guarantee loan refinancing, and provides the Central Bank with pledged reserve account deposits.

Note 2: Pledged in accordance with the Central Bank for foreign-exchange, with the Mega Bank for USD foreign-exchange settlement and with requirements of the California Department of Financial Institutions.

Note 3: Guarantees of dealing and underwriting business, a trust reserve fund, guarantees of bills financial service, reserve for payment of VISA international card, pledged to court as collaterals for filing provisional seizure and disposition, and Hong Kong branch's clearing system of real-time gross settlement.

Note 4: Pledged with the Federal Reserve Bank under the discount window program.

Note 5: Pledged with intraday overdraft of settlement banks.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those disclosed in other notes, significant unrecognized commitments of the Group as of December 31, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Trust assets	\$ 529,513,877	\$ 511,536,740
Securities under custody	169,305,568	152,803,693
Agent for government bonds	82,429,900	94,873,500
Receipts under custody	25,798,395	28,417,670
Guarantee notes payable	11,313,886	11,336,301
Agent for marketable securities under custody	7,499,160	10,932,600
Appointment of investment	3,204,791	3,057,796
Goods under custody	1,161,933	1,124,067
Travelers' checks consigned-in	-	151,268
Entrusted loan	-	86,563

As of December 31, 2020, in addition to abovementioned unrecognized commitments, the Bank and SinoPac Securities had applied for tax concessions to Ministry of Finance regarding their technical support service expenditure relating to the financial transaction system, and had jointly signed to the system manufacturer the letter of indemnity of which the total compensation is not more than US\$1,300 thousand to obtain the proxy of the manufacturer thereof to apply for foresaid tax concession. The compensation distributable to the Bank is US\$867 thousand and to SinoPac Securities is US\$433 thousand. The deadline for compensation guarantee period is December 31, 2027.

In order to continue the cooperation with National Cheng Kung University on the research about practical application of artificial intelligence and accelerate the digital transformation, the Bank continued to sign a three-year enterprise and industry cooperation and donation agreement effective from July 1, 2020 through June 30, 2023. As of December 31, 2020, the Bank recognized operating expense in the amount of \$44,000 and related payable in the amount of \$27,000 based on the renewed contract.

- b. The Group entered into contracts to buy computers and office equipment were for \$636,796 and \$760,687 of which \$420,695 and \$384,743 had not been paid as of December 31, 2020 and 2019.

c. Contingencies

- 1) The Securities and Futures Investors Protection Center (SFIPC) filed a lawsuit against the Bank and SinoPac Leasing Corporation's (SPL) subsidiary, Grand Capital International Limited (renamed as SinoPac Capital International Limited on October 4, 2018) on the ground that Procomp Informatics Ltd. (Procomp) deposited US\$10,000 thousand in the Bank's Shisung Branch (formerly Sungshan Branch) and placed a restriction on the use of this deposit as a condition for a short-term loan to Addie International Limited granted by SPL and for allegedly helping Yeh, Sue-Fei and Procomp do irregular trading. But at the same time, Procomp used the restricted deposit for fictitious sale transactions. Later, when problems on Procomp's account arose, the Bank and Grand Capital demanded compensation, which was taken from Procomp's account, resulting in damage to Procomp. The Bank was suspected of misleading investors by concealing the restricted status of Procomp's deposit and window dressing Procomp's financial statements. On behalf of investors, the SFIPC filed a lawsuit against the Bank, SPL and all other parties related to Procomp jointly. The amount of the claim was \$4,207,212 in total. Both the courts of the first instance and the second instance ruled in favor of the Bank and SinoPac Leasing. The court believes that the Bank

and SinoPac Leasing are not liable for the damage of Procomp as they do not hold rights and obligations to the edition, approval, recognition and announcement of Procomp's financial statements and the Bank and SinoPac Leasing did not conspire with Procomp to concealing the restricted status of Procomp. However, the SFIPC decided to file an appeal on January 20, 2016.

The Supreme Court reversed the declared judgment on July 26, 2017 and remanded the case to Taiwan High Court. The case is still under process. The SFIPC reduced their declaration to \$4,161,366, and once again reduced their declaration to \$4,161,219.

The Taiwan High Court ruled in favor of the Bank and SinoPac Leasing on May 7, 2019. However, the SFIPC decided to file an appeal to the Supreme Court on June 6, 2019.

- 2) The Bank dealt with Skwentex International Corporation (Skwentex) regarding Skwentex's receivables from Siltrontechnics Electronics Corporation. The relevant accounts receivable transaction involved suspected false cycle trading and was investigated by the Taiwan New Taipei District Prosecutors in 2015. This case was still under process by the Taiwan New Taipei District Prosecutors in 2016. Due to the abnormal and suspected unlawful accounts receivable transaction, the Bank cannot pay the consideration of accounts receivable to Skwentex in accordance with the credit contract. Skwentex sued the Bank in July 2017 and demanded a compensation of \$214,471. The Taiwan Taipei District Court ruled in favor of the Bank on February 27, 2020. Skwentex was dissatisfied and appealed in March 2020, currently under trial by Taiwan High Court.

43. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

- a. The definition of the hierarchy:

- 1) Level one

Level 1 financial instruments are traded in active market and have the identical price for the same financial instruments. "Active market" should fit the following characteristics:

- a) All financial instruments in the market are homogeneous;
- b) Willing buyers and sellers exist in the market all the time;
- c) The public can access the price information easily.

- 2) Level two

The products categorized in this level have the prices that can be inferred from either direct or indirect observable inputs other than the active market's prices. Examples of these inputs are:

- a) Quoted prices from the similar products in the active market. This means the fair value can be derived from the current trading prices of similar products. It is also noted that whether they are similar products should be judged by the characteristics and trading rules. The fair value valuation in this circumstance may make some adjustment due to time lags, trading rule's differences, related parties' prices, and the correlation of price between itself and the similar instruments.
- b) Quoted prices for identical or similar financial instruments in inactive markets.
- c) When marking-to-model, the input of model in this level should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be attained from market and can reflect the expectation of market participants.

- d) Inputs which can be derived from other observable prices or whose correlation can be verified through other observable market data.

3) Level three

The fair prices of the products in this level are based on the inputs other than the direct market data.

b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

Financial Instruments Measured at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 68,765	\$ 68,765	\$ -	\$ -
Bonds	28,251,515	27,339,042	912,473	-
Others	4,347,109	-	4,347,109	-
Financial assets designated at fair value through profit or loss				
Bonds	2,655,588	2,655,588	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	11,577,644	9,219,153	1,158,061	1,200,430
Debt instruments at FVTOCI				
Bonds	145,070,103	89,561,677	53,669,710	1,838,716
Certificates of deposits purchased and others	183,086,578	-	183,086,578	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	1,520,769	-	1,520,769	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	20,830,878	50,856	20,502,076	277,946
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	21,371,049	196,553	20,292,961	881,535

Financial Instruments Measured at Fair Value	December 31 2019			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Bonds	\$ 36,597,109	\$ 36,364,935	\$ 232,174	\$ -
Others	2,391,984	-	2,391,984	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	2,218,151	-	1,025,000	1,193,151
Debt instruments at FVTOCI				
Bonds	88,263,736	52,579,136	34,781,234	903,366
Certificates of deposits purchased and others	148,413,679	-	148,413,679	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	1,536,619	-	1,536,619	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	13,055,297	53,137	12,322,325	679,835
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	15,176,455	73,814	13,995,453	1,107,188

2) Fair value measurement technique

Financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income with quoted price in an active market are using market price as fair value; financial instruments above with no quoted price in an active market are estimated by valuation methods. The estimation and assumption of valuation method the Group used is the same as market participants'. The Group can obtain this information.

The basis of fair value estimation used by the Group is as follows:

The fair value of forward contract, interest rate swap contracts and cross-currency swap contracts is measured by the discounted cash flow method; the fair value of option is measured by Black & Scholes Model.

Fair values of forward contracts are estimated on the basis of the foreign exchange rates provided by Reuters. Structured product is measured by opponents' price based on match basis. This method diminished market risk to zero. Fair value of interest rate swap contracts and cross-currency swap contracts are estimated on the basis of market quotation provided by Reuters.

Fair value is determined as follows: (a) domestic and overseas listed stocks, Taipei Exchange Stocks and Stocks of Real Estate Investment Trust - closing prices as of the balance sheet date; (b) beneficial certificates (open-end funds), net asset values as of the balance sheet date; (c) bonds - period-end reference prices published by the Taipei Exchange or internal model price (d) bank debentures issued overseas and the overseas bonds-period-end reference prices published by Bloomberg, calculated through an internal model or provided by a counter-party.

The Bank assessed the active level of market and the adequacy of fair value of emerging stocks and measured the investments at fair value.

The Group assessed the fair value of unlisted counters using the following method. The market method uses the price and other relevant information generated by the market transactions involving comparable or comparable assets, liabilities or assets and liabilities.

3) Credit risk valuation adjustment is set out below:

Credit risk valuation consists of credit valuation adjustment and debit valuation adjustment.

Credit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of counter party on fair value.

Debit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of the Group on fair value.

The Group calculated debit and credit valuation adjustment based on models with inputs of Probability of Default (PD) and Loss Given Default (LGD) multiplying Exposure at Default (EAD).

The Group calculated EAD based on mark-to-market fair value of OTC derivative instruments.

The Group takes 60% as the standard LGD of counter parties, and subject to change under the risk nature and data feasibility.

The Group takes credit risk valuation adjustment into valuation of the fair value of financial instruments, thus reflect the credit quality of counter parties and the Group.

4) Transfer between Level 1 and Level 2

For the year ended December 31, 2020, the Group transferred part of the NTD government bonds, NTD corporate bonds, foreign corporate bonds and foreign bank debentures from Level 1 to Level 2 because the Group determined these investments were not in an active market.

For the year ended December 31, 2019, the Group transferred part of the foreign bank debentures from Level 1 to Level 2 because the Group determined these investments were not in an active market.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the Year Ended December 31, 2020									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold (Note 1)	Transfer Out of Level 3		
<u>Non-derivative financial instruments</u>									
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	\$ 1,193,151	\$ -	\$ 76,430	\$ 8,553	\$ -	\$ (77,704)	\$ -	\$ -	\$ 1,200,430
Debt instruments at FVTOCI	903,366	-	(14,328)	997,793	-	-	-	(48,115)	1,838,716
<u>Derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	679,835	(401,889)	-	-	-	-	-	-	277,946

For the Year Ended December 31, 2019									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3 (Note 2)	Disposed/Sold	Transfer Out of Level 3		
<u>Non-derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	\$ 3,219,887	\$ (169,275)	\$ -	\$ -	\$ 524,749	\$ (3,524,168)	\$ -	\$ (51,193)	\$ -
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	933,907	-	259,244	-	-	-	-	-	1,193,151
Debt instruments at FVTOCI	922,544	-	-	-	-	-	-	(19,178)	903,366
<u>Derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	1,430,750	(750,915)	-	-	-	-	-	-	679,835

Note 1: Including the reduced by the investee.

Note 2: Due to the reduced market activity of the securities, the lack of observable market data has led to transfer to Level 3.

For the years ended December 31, 2020 and 2019, the losses on valuation included in net income with assets still held were loss \$343,838 and \$336,394, respectively.

For the years ended December 31, 2020 and 2019, the gains on valuation included in other comprehensive income with assets still held were \$62,102 and \$259,244, respectively.

b) Reconciliation of Level 3 items of financial liabilities

For the Year Ended December 31, 2020								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Derivative financial instruments</u>								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 1,107,188	\$ (225,653)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 881,535

For the Year Ended December 31, 2019								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Derivative financial instruments</u>								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 1,210,463	\$ (103,275)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,107,188

For the years ended December 31, 2020 and 2019, the gains and losses on valuation results included in net income from liabilities still held were gains \$161,478 and losses \$77,347, respectively.

6) Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

Quantitative information about the significant unobservable inputs is set out below:

December 31, 2020

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
<u>Derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Hybrid FX swap structured instruments	\$ 270,401	\$ 270,239	Sellers' quote	(Note 1)	-
Others	<u>7,545</u>	<u>611,296</u>	Sellers' quote	(Notes 1 and 2)	-
	<u>\$ 277,946</u>	<u>\$ 881,535</u>			
<u>Non-derivative financial instruments</u>					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted common stock	<u>\$ 1,200,430</u>	<u>\$ -</u>	Market approach or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	<u>\$ 1,838,716</u>	<u>\$ -</u>	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-

December 31, 2019

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
<u>Derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Hybrid FX swap structured instruments	\$ 591,299	\$ 590,945	Sellers' quote	(Note 1)	-
Others	<u>88,536</u>	<u>516,243</u>	Sellers' quote	(Notes 1 and 2)	-
	<u>\$ 679,835</u>	<u>\$ 1,107,188</u>			
<u>Non-derivative financial instruments</u>					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted common stock	<u>\$ 1,193,151</u>	<u>\$ -</u>	Market approach or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	<u>\$ 903,366</u>	<u>\$ -</u>	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-

Note 1: On pairs of back-to-back transactions, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 2: Considering the risk model, the seller's quotation is provided for reference; consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 3: Due to international bonds listed in the OTC market lack liquidity, no observable liquidity reduction factor could be obtained. Therefore, no disclosure has been made.

7) Valuation processes for fair value measurements categorized within Level 3

The Group assesses the derivative financial instruments' fair values according to the quote by counterparties; related assessments are compiled as risk-control reports and inform the manager and the board of directors by month.

The risk management department is responsible for independent testify of fair value of non-derivative financial instruments. The team also use the independent source data to bring the assessment results closer to market conditions, confirm that data sources are independent, reliable, consistent with other resources and represent executable price, calibrate the evaluation model periodically and update input values and data required for the evaluation model to ensure the evaluation results are reasonable.

8) The sensitivity analysis of reasonable, possible and alternative hypothesis for the third level of fair value measurements.

The Bank evaluates financial instruments reasonably, although using different valuation model and parameter, may cause different valuation results. For financial instruments classified as Level 3, the fair value source used lacks observable input, i.e., liquidity reduction factor. If the change of estimated liquidity cost, estimated at 99% confidence interval and based on historical data of market turnover in the past two years, are included in the estimation, the impact on profit and loss is as follows:

December 31, 2020

Item	Changes in the Fair Value Reflected in Current Profit or Loss	
	Unfavorable Change	Favorable Change
<u>Asset</u>		
Financial assets at fair value through other comprehensive income		
Debt instruments at fair value through other comprehensive income	<u>\$ (47,234)</u>	<u>\$ 47,234</u>

December 31, 2019

Item	Changes in the Fair Value Reflected in Current Profit or Loss	
	Unfavorable Change	Favorable Change
<u>Asset</u>		
Financial assets at fair value through other comprehensive income		
Debt instruments at fair value through other comprehensive income	\$ (20,154)	\$ 20,154

c. Financial instruments not carried at fair value

1) Fair value information of financial instruments

Financial instruments not carried at fair value excluding the table below are reasonably close to their fair value, therefore no additional disclosure, for example: Cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, discounts and loans, some other financial assets, deposits from the Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittances and other financial liabilities.

Items	December 31, 2020	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 162,368,434	\$ 167,684,891
Bank debentures	45,078,282	45,942,844
Items	December 31, 2019	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 137,940,760	\$ 139,415,810
Bank debentures	33,019,751	33,466,786

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 167,684,891	\$ 57,444,722	\$ 110,240,169	\$ -
Bank debentures	45,942,844	1,000,495	27,742,049	17,200,300

Assets and Liabilities Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 139,415,810	\$ 51,741,668	\$ 87,674,142	\$ -
Bank debentures	33,466,786	2,198,402	20,067,484	11,200,900

3) Methods and assumptions applied in estimating the fair values of financial instruments not carried at fair value are as follows:

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, some of other financial assets, deposits from the Central Bank and banks, securities sold under repurchase agreements, payables and other financial liabilities approximate their fair value because of the short maturity or the similarity of the carrying amount and future price.
- b) Discounts and loans (including non-performing loans): The Group usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate should estimate its fair value by its discounted value of expected cash flow. Because this kind of loans is not significant in this item, using its carrying amount to consider the probability of repossession and estimate its fair value should be reasonable.
- c) The investments in debt instruments at amortized cost: Debt instruments investments at amortized cost with quoted price in an active market are using market price as fair value; debt instruments investments at amortized cost with no quoted price in an active market are estimated by valuation methods or opponent's price.
- d) Deposits and remittances: Considering banking industry's characteristic, since deposits have one-year maturity and measured by market rate (market value), using carrying value to assess fair value is reasonable. For deposits with three-year maturity are measured by discounted cash flow, using carrying value to assess fair value is reasonable.
- e) Bank debentures: Bank debentures with quoted price in an active market are using market price as fair value; bank debentures with no quoted price in an active market are estimated by valuation methods or quotes from counterparties.

44. FINANCIAL RISK MANAGEMENT

a. Overview

The Group documents the risk management policies, including overall operating strategies and risks control philosophy. The Group's overall risk management policies are to minimize the possibility of potential unfavorable factors. The board of directors approves the documentation of overall risk management policies and specific risk management policies; including credit risk, liquidity risk, market risk, operational risk, derivative instruments transactions and managements. The board of directors reviews the policies regularly, and reviews the operation to make sure the Group's policies are executed properly.

b. Risk management framework

The board of directors is the top risk supervisor of the Group. The board not only reviewed risk management policies and rules but also authorized management to be in charge of daily risk management work. The Bank has set up a risk management committee under the chairman of the Board to be responsible for the services above; the Bank has also set up a credit committee to review the policies and supervise the abnormal cases. The credit committee also helps the board of directors approve cases over general manager's authority under the board's authorization.

The board of directors authorized the Group's management to supervise risk management activities, evaluate the performance and confirm every risk management agent having essential code of ethic and professional skills. Internal audit is responsible for the periodic review of risk management and the control environment, then reports the results directly to the board of directors.

The Bank has set up a risk management department to control risk management policies, establish rules, plan and set up risk management system. The risk management department executes these policies based on the board's approval, then reports the results and performance reviews to the authority or the board.

c. Credit risk

1) Sources and definitions of credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from lending, trade finance, treasury, and credit derivatives. The issuer's credit risk should be considered as part of the market risk when the investment target is securities in an active market.

2) Policies and strategies

The Group established policies based on operating goals and strategies, business plans and risk management goals authorized by the board of directors. These policies were established to lower potential financial losses, minimize risks and rewards to raise the performance and protect shareholders' equity through appropriate managing policies and procedures based on risk-diversification principle.

The Group's risk strategy is to strengthen the credit risk management framework, establish complete credit verification system and procedure, develop and use efficient and scientific credit risk managing instruments to identify, measure, manage and supervise credit risks. These strategies transparentize, systematize, specialize and formalize credit risk management to manage loans, non-performing assets and every kind of assets' credit risk.

The Group has set up policies of main risks as prime direction based on legislations and operational goals. These policies include risk appetite, management goals, organization structure of responsibility and accountability, measurement, evaluation, supervision and report procedure of risks. These policies are established to reach the purposes of consistency and centralized management and are put into practice in corporate government.

Credit risk management procedures and measurements are as follows:

a) Loan business (includes loan commitment and guarantee)

Loan business classification and qualities are as follows:

i. Classification

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" (the Regulations) issued by the Banking Bureau, the Bank evaluates credit losses on the basis of the estimated collectability. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. In order to manage credit problem, the Bank issued "Evaluate Assets and Deal with Non-performing/Non-accrual Loans" for managing credit problem and debt collection.

Bank SinoPac (China) Ltd. strictly follows the “Guidance for the Risk-Based Loan Categorization” established by the China Banking Regulatory Commission. It divides its loans into five categories based on a debtor’s ability to repay the full principal and interest on time. The five categories are normal, special mention, substandard, doubtful, and loss. The last three categories are considered non-performing loans.

ii. Credit quality level

The Group sets up credit quality level (ex. internal credit risk assessment model, credit assessment rules) based on business characteristic and scale to manage risks.

In order to measure clients’ credit risks, the Group established credit risk assessment model for corporate banking, personal banking and consumer banking through statistic methods, professional judgment and clients’ information. Every model should be reviewed regularly to examine whether the calculations match to the actual conditions or not, then the Bank will adjust parameters to optimize the results.

For personal banking and consumer banking customers, every case will be reviewed individually to assess default risks except that micro-credit and credit card business should be assessed by internal credit assessment model.

b) Investment business

The Group manages and identifies credit risks of debt investment through credit ratings by outsiders, credit qualities of the debt, regional conditions and counterparties’ risks.

The Group carry out derivative instrument transactions with counterparties in financial industry which are almost above the investment level. The Bank would control credit risks based on counterparties’ credit lines; counterparties with no credit ratings or at non-investment level should be reviewed individually. Normal customers’ credit exposure positions should be controlled by approved derivative instrument credit line and condition based on normal credit procedure.

3) Credit risk hedge or mitigation policies

a) Collateral

The Group has set up several standards dealing with credit exposures and collateral requirements in order to mitigate credit risks and maintain creditor’s rights. The standards cover areas such as disposal of collateral, acceptance of real estate as collateral, real estate appraisal; credit policies for every commodity to regulate collateral categories, appraisals, procedures, deduction percentages, loan rate, loan-to-value ratio, maturity analysis, control, and management.

To maintain collateral’s effectiveness, the Group supervises and manages the collateral by examining the usage, custody and maintenance of collateral regularly and irregularly to avoid selling, leasing, pledging, moving and disposing collaterals without authorization. Once the loan is due but will be extended, the contract should be seen as a new case and the collateral should be revalued.

b) Credit risk limits and credit risk concentration control

The Group manages credit line and concentration of credit assets through appropriate information managing system that gathers information on credit exposure to centralized conditions, exposure of credit asset combinations, including national risk, large credit exposure, credit line of single corporation, group and industry. For cases approaching credit limit, the concerned unit should report to management and make control strategies; for cases exceeding credit limit, the management should take appropriate action and the Group should review the credit approval process and authorization level.

c) Agreement of net settlement

The Group often makes gross settlement on transactions, sign net settlement contract with other counterparties or cancel every transactions and make net settlement when default occurs to mitigate credit risk.

4) The determination since the initial recognition of the credit risk has increased significantly

a) Loan business

The Group assess the change in the risk of default of various credit assets during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the main consideration is reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information), key indicators include:

i. Quantitative indicators

Information on overdue conditions: When the contractual payments were overdue for more than 30 days to overdue 89 days, it has been determined that credit risk of the financial assets after the initial recognition was significantly increased.

ii. Qualitative indicators

i) Although the loan has not been repaid or due on the maturity date, there are other bad debts and the asset classification is not normal.

ii) The loan review report belonging to an abnormal credit.

iii) The credit card transaction with the Bank is abnormal.

On the basis of various credit asset evaluation benchmark days of the Group, if the credit risk does not increase significantly and not belong to an impaired financial asset, it can be determined that the credit risk does not increase significantly after the initial recognition.

b) Investment business

The Group adopts external credit rating scales to measure whether the credit risk after the initial recognition is significantly increased for debt instrument measured at amortized cost and debt instrument measured at fair value through other comprehensive income. The external credit rating is determined by international credit rating agency. When the external credit rating changes and the following situations occur, the credit risk is regarded to have significantly increased after the initial recognition.

i. From investment grade (Aaa-Baa3) to non-investment grade (Ba1 (inclusive) or less, without Ca-D)

- ii. From grade Ba1-Ba3 to grade B1-Caa3
- iii. The bonds in grade B1-Caa3 at initial recognition.

Credit	Moody's	S&P	Fitch	Taiwan Ratings	Fitch (Taiwan)
First grade	Aaa	AAA	AAA		
	Aa1	AA+	AA+		
	Aa2	AA	AA		
	Aa3	AA-	AA-		
	A1	A+	A+	twAAA	AAA (tw)
	A2	A	A	twAA+	AA+ (tw)
	A3	A-	A-	twAA	AA (tw)
	Baa1	BBB+	BBB+	twAA-	AA- (tw)
	Baa2	BBB	BBB	twA+	A+ (tw)
	Baa3	BBB-	BBB-	twA	A (tw)
Second grade	Ba1	BB+	BB+	twA-	A- (tw)
	Ba2	BB	BB	twBBB+	BBB+ (tw)
	Ba3	BB-	BB-	twBBB	BBB (tw)
				twBBB-	BBB- (tw)
Third grade	B1	B+	B+	twBB+	BB+ (tw)
	B2	B	B	twBB	BB (tw)
	B3	B-	B-	twBB-	BB- (tw)
				twB+	B+ (tw)
				twB	
	Caa1	CCC+	CCC+	twB-	B (tw)
	Caa2	CCC	CCC	twCCC+	B- (tw)
	Caa3	CCC-	CCC-	twCCC	CCC+ (tw)
Fourth grade	Ca	CC	CC	twCCC-	CCC (tw)
	C	C	C	twCC	CCC- (tw)
		SD	DDD	twC	CC (tw)
		D	DD	twSD	C (tw)
		R	D	twD	DDD (tw)
				twR	DD (tw)
					D (tw)
	P-1	A-1	F-1		
	P-2	A-2	F-2	twA-1	F1 (tw)
	P-3	A-3	F-3	twA-2	F2 (tw)

The external rating of each credit rating agency refers to the conversion chart of Basel III.

If a bond has multiple credit ratings, the lowest rating of such bond will be taken as its credit rating; if the bond itself has no credit rating, the guarantor's credit rating will be taken; if there is no guarantor, the issuer's credit rating will be taken. If the bond's, guarantor's, or issuer's external credit rating is not available, the external rating of the bond is based on the internal rating of the bond in SinoPac Holdings.

5) Definition of financial asset default and credit impairment

The Bank's definition of financial asset default is the same as financial asset credit impairment. If one or more of the following conditions are satisfied, the Bank determines that the financial asset has defaulted and has credit impairment.

a) Quantitative indicators

Principal or interest is overdue for more than three months.

b) Qualitative indicators

If there is evidence that the debtor will not be able to pay the contract money, or the debtor is facing significant financial difficulties, for examples:

- i. The main debtor has been chased, or the collateral has been disposed of.
- ii. The main debtor has not paid short-term advance to the Bank.
- iii. The debtor applies for debt negotiation, debt extension and debt restructuring, etc. due to financial difficulties.
- iv. Other situation with objective evidence of impairment.

Bond investment belongs to credit ratings Ca-D bonds when the following situations occur:

- i. The issuer probably cannot repay the principal or interest on the bond maturity date.
- ii. It could be objectively judged that the issuer will not be able to repay the principal and interest of the bond on time before maturity.
- iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.
- iv. The issuer encounters bankruptcy or being reorganized or taken over due to financial difficulties before bond maturity.

The above definition of default and credit impairment applies to all financial assets held by the Bank. It is consistent with the definition of relevant financial assets for internal credit risk management, and applicable to relevant impairment assessment model as well.

6) Write-off policy

If one of the following situations occurred, overdue and non-performing loans of the Bank, after deducting any estimated recoverable part, will be written off as bad debts.

- a) All or part of the creditor's right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
- b) The values of collateral and properties of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed the bank's reimbursable amount.
- c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneficial to the Bank.

- d) Overdue and non-performing loans have not been recovered after more than 2 years from the maturity date.

The Bank has procedures for recording accounts written-off and for keeping such records for inspection. Relevant business department continues to watch for movements of the main and subordinate debtors all the time. If there is any property available for execution, the Bank will take appropriate legal action.

7) Amendment to financial asset contract cash flows

The Group will amend financial asset contract cash flows when borrowers are in financial difficulties, as a result of improvement of problematic debtors' recovery rate or for maintenance of customer relationships. Financial asset contract cash flows amendment include extension of contract period, interest payment date modification, contract interest modification, or exemption from certain requirements of part of debts. The amendment could result in the Group's disposal of existing financial asset and recording of new financial asset at fair value.

If the modification of the contractual cash flows of financial asset does not result in derecognition of asset, the Group will assess whether the credit risk of financial asset has increased significantly by comparing the following:

- a) Risk of breaching the contract on the reporting date (based on revised contract terms)
- b) The risk of default in the original recognition (based on the original unmodified contract terms)

The Group will consider the borrower's subsequent payment in accordance with the revised terms and several relevant behavior indicators to assess the probability of default on the revised financial asset, and confirm whether the contract modification improves or restore the Group's ability to recover related contract payments.

8) Measurement of expected credit losses

For the purpose of measuring expected credit losses, the Group will look into the business attributes of the credit assets (such as corporate finance, personal finance, consumer finance, e-finance, etc.) as well as the size of the company, types of collateral, and remaining period of maturities, etc. and group the credit risk characteristics into three stages: No significant increase in credit risk (stage 1), significant increase in credit risk (stage 2), and credit impairment (stage 3) according to the credit risk level at the valuation date.

The Group provides allowance for 12-month expected credit losses when financial instruments did not have a significant increase in credit risk since the initial recognition. Financial instruments are provided with allowance for full-lifetime expected credit losses when there is significant increase in credit risk or credit impairment since the initial recognition.

To measure expected credit losses, the Group takes into account the borrower's probability of default ("PD") for the next 12 months and for the period of existence, and includes loss given default ("LGD"), and exposure at default ("EAD") taking into account the impact of the time value of money. The expected credit losses for 12 months and for full-lifetime are calculated.

The Bank assesses the amount of Exposure at default of lending based on outstanding loan principal of customers, interest receivable and short-term advances at the end of each period. In addition, when estimating the expected credit losses of lending financing commitments, Exposure at default used to calculate expected credit losses is determined based on the conditions and days of the financing commitment and by reference to the credit risk conversion factor of Basel Capital Accord.

Probability of default is the default probability of the borrower, and the default loss rate is the rate of loss caused by default of the borrower. The default probability and default loss rate used in the impairment assessment and calculation of expected credit losses of the Bank loan business are based on internal historical information (such as credit loss experience, etc.) of each borrower group, with adjustments to the historical data based on the current observable data and forward-looking economic information. The expected loss of debt instrument investment is calculated according to the default rate information and external recovery rate information published by the external credit rating agencies.

9) Forward-looking information considerations

a) Credit assets

The Bank takes forward-looking information into account when determining whether the credit risk of the credit assets has increased significantly since the initial recognition and measures the expected credit losses. The impact of COVID-19 was also considered in the forward-looking information in 2020. The Bank uses historical data and expert judgments to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset groups, such as GDP and unemployment rate. The Bank obtains quarterly historical data and forecast information of the relevant economic factors from international financial organizations (such as the International Monetary Fund (IMF)) and Directorate General of Budget, Accounting and Statistics, Executive Yuan. This forecast information contains the best estimate of the economic situation in the next five years.

The relevant economic factors and their impact on PD differ among different credit business. The Bank classifies credit product types as:

- i. Enterprise, sovereignty, and bank credit exposure.
- ii. Home Mortgage Insurance credit exposure.
- iii. Qualified cycling retail credit exposure.
- iv. Other retail credit exposure.

With reference to the Basel Capital Accord IRB method, the correlation coefficient of various types of credit products and risk category is calculated and forward-looking information is used to adjust the default probability.

b) Investment business

For the debt instrument investment measured at amortized cost and measured at fair value through other comprehensive income, one of the indicators of significant increase in credit risk is the quantified change in the external rating class announced by the international credit rating agencies, and the measurement of expected credit losses is based on the information of the default ratings and default loss rates regularly announced by external rating agencies and international credit rating agencies. As international credit rating agencies have considered forward-looking information in assessing credit ratings, the Bank's assessment of forward-looking information is appropriate, and is included in the Bank's assessment of expected credit losses.

10) The maximum credit exposure of the financial instruments held by the Bank and Bank SinoPac (China) Ltd.

Maximum credit exposures of assets on balance sheet excluding collaterals and other credit enhancement instruments are almost equivalent to the carrying value. The maximum credit exposures (excluding collaterals, other credit enhancement instruments and undrawn maximum exposure) off balance sheet were as follows:

Off-Balance Sheet Items	The Maximum Credit Exposure	
	December 31, 2020	December 31, 2019
Undrawn credit card commitments	\$ 197,690,182	\$ 178,670,179
Undrawn loan commitments	37,293,962	33,691,220
Guarantees	31,020,811	20,046,255
Standby letter of credit	6,099,606	4,117,324

The Bank and Bank SinoPac (China) Ltd. adopt a strict and continuous evaluation procedure and review the result regularly to control and minimize off-balance sheet credit risk exposures.

The contract amount in the credit business and financial instruments may not be fully paid before the maturity; therefore, the contract amount is not deemed as the amount of future cash outflow. In other words, the future cash demand is lower than contract amount. If the credit limit is exceeded and collaterals lose their value, the amount of credit risk is equal to the contract amount which is the possible maximum loss.

11) Credit risk exposures concentration of the Group

When financial instruments transactions concentrated on one counter-party or several counter-parties, which engaged in similar business activities, had similar economic characteristics and abilities to execute contracts, the credit risk concentration arises.

Credit risk concentrations can arise in the Group's assets, liabilities or off-balance sheet items through the execution or processing of transactions (either product or service) or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to banks, investment, receivables and derivatives. The Group maintains a diversified portfolio to limit its exposure to any geographic region, country or individual creditor and monitor its exposures continually. The Group's most significant concentrations of credit risk are summarized by industry, region and collateral as follows:

a) By industry

Industries	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Private enterprise	\$ 530,596,516	45.88	\$ 466,858,426	46.05
Public enterprise	8,382,928	0.72	7,950,444	0.78
Government sponsored enterprise and business	44,352,603	3.84	5,920,883	0.58
Nonprofit organization	208,833	0.02	268,580	0.03
Private	558,253,076	48.27	516,960,053	51.00
Financial institutions	14,647,456	1.27	15,789,387	1.56
Total	\$ 1,156,441,412	100.00	\$ 1,013,747,773	100.00

b) By region

Regions	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Domestic	\$ 933,500,404	80.72	\$ 833,900,001	82.26
Asia	113,418,378	9.81	98,892,302	9.76
North America	72,737,224	6.29	51,714,212	5.10
Others	36,785,406	3.18	29,241,258	2.88
Total	\$ 1,156,441,412	100.00	\$ 1,013,747,773	100.00

c) By collateral

Collaterals	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Credit	\$ 395,440,562	34.19	\$ 321,236,124	31.69
Secured				
Stocks	5,940,428	0.51	4,756,937	0.47
Bonds	15,316,260	1.32	16,419,727	1.62
Real estate	671,963,801	58.11	613,767,817	60.54
Movable collaterals	44,290,787	3.83	36,495,270	3.60
Guarantees	12,781,343	1.11	9,561,933	0.94
Others	10,708,231	0.93	11,509,965	1.14
Total	\$ 1,156,441,412	100.00	\$ 1,013,747,773	100.00

d) Credit risk exposure rating

	Principal				Allowance			The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans (Note 1)	Total
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
December 31, 2020									
Discounts and loans									
Corporate banking	\$ 606,939,129	\$ 1,633,616	\$ 3,584,931	\$ 612,157,676	\$ 1,979,569	\$ 745,597	\$ 773,501	\$ 4,115,807	\$ 7,614,474
Consumer banking	538,566,804	4,376,940	1,339,992	544,283,736	213,181	287,605	225,802	6,660,382	7,386,970
Receivables	18,097,575	216,740	795,515	19,109,830	8,588	9,986	31,171	151,564	201,309
Credit card receivable									
Accounts receivable - factoring (Note 2)	7,797,862	-	-	7,797,862	11,315	-	-	121,173	132,488
Other receivable (Note 3)	19,795,357	19,325	284,302	20,098,984	34,106	3,605	238,517	125,492	401,720
Debt instruments at fair value through other comprehensive income	328,156,681	-	-	328,156,681	61,452	-	-	-	61,452
Investment in debt instruments at amortized cost	162,380,325	-	-	162,380,325	11,891	-	-	-	11,891

	Principal				Allowance			The Adjustments Under Regulations Governing the Procedures for Instituting Assets and Deal with Non-performing/Non-accrual Loans (Note 1)	Total
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
December 31, 2019									
Discounts and loans									
Corporate banking	\$ 494,924,002	\$ 1,998,551	\$ 2,853,613	\$ 499,776,166	\$ 1,149,693	\$ 577,373	\$ 629,591	\$ 4,564,035	\$ 6,920,692
Consumer banking	508,058,024	4,316,838	1,596,745	513,971,607	69,516	141,529	247,230	6,393,788	6,852,063
Receivables									
Credit card receivable	17,140,371	229,254	868,820	18,238,445	3,430	4,949	55,254	147,530	211,163
Accounts receivable - factoring (Note 2)	9,763,567	-	-	9,763,567	2,209	-	-	139,457	141,666
Other receivable (Note 3)	15,924,643	15,858	347,761	16,288,262	22,114	2,957	284,909	87,601	397,581
Debt instruments at fair value through other comprehensive income	236,677,415	-	-	236,677,415	37,879	-	-	-	37,879
Investment in debt instruments at amortized cost	137,948,794	-	-	137,948,794	8,034	-	-	-	8,034

Note 1: The amounts of listings of Bank SinoPac (China) under local supervision regulation is included.

Note 2: Accounts receivable - factoring and accounts payable - factoring are offset and presented net.

Note 3: The amounts of other receivable include other financial assets non-performing receivables transferred other than loans.

12) The allowance for loss of the Group

Change in allowance for discounts and loans

For the Year Ended December 31, 2020	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans (Note)	Total
Balance, January 1	\$ 1,219,209	\$ 718,902	\$ 876,821	\$ 2,814,932	\$ 10,957,823	\$ 13,772,755
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(15,312)	1,429,127	(92,619)	1,321,196	-	1,321,196
From conversion to credit-impaired financial assets	(7,965)	(609,892)	1,061,628	443,771	-	443,771
To 12-month ECL	3,250	(255,440)	(30,551)	(282,741)	-	(282,741)
Derecognizing financial assets during the current period	(3,600,165)	(2,101,029)	(496,730)	(6,197,924)	-	(6,197,924)
Purchased or originated new financial assets	4,705,514	1,833,348	269,467	6,808,329	-	6,808,329
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans (Note)	-	-	-	-	190,549	190,549
Write-off	(9)	-	(865,452)	(865,461)	(330,770)	(1,196,231)
Changes in model/risk parameters	(62,675)	22,473	3,936	(36,266)	-	(36,266)
Effect of exchange rate changes and others	(49,097)	(4,287)	272,803	219,419	(41,413)	178,006
Balance, December 31	\$ 2,192,750	\$ 1,033,202	\$ 999,303	\$ 4,225,255	\$ 10,776,189	\$ 15,001,444

For the Year Ended December 31, 2019	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans (Note)	Total
Balance, January 1	\$ 1,542,056	\$ 318,552	\$ 1,036,959	\$ 2,897,567	\$ 10,115,562	\$ 13,013,129
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(6,145)	884,156	(72,130)	805,881	-	805,881
From conversion to credit-impaired financial assets	(3,795)	(305,468)	653,569	344,306	-	344,306
To 12-month ECL	1,531	(198,497)	(394)	(197,360)	-	(197,360)
Derecognizing financial assets during the current period	(2,383,208)	(285,646)	(402,866)	(3,071,720)	-	(3,071,720)
Purchased or originated new financial assets	2,098,719	297,804	143,612	2,540,135	-	2,540,135
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans (Note)	-	-	-	-	1,333,718	1,333,718
Write-off	-	-	(397,493)	(397,493)	(460,393)	(857,886)
Changes in model/risk parameters	(12,323)	12,945	(80,843)	(80,221)	-	(80,221)
Effect of exchange rate changes and others	(17,626)	(4,944)	(3,593)	(26,163)	(31,064)	(57,227)
Balance, December 31	\$ 1,219,209	\$ 718,902	\$ 876,821	\$ 2,814,932	\$ 10,957,823	\$ 13,772,755

Note: The amounts of the listings of Bank SinoPac (China) under local supervision regulation are included.

Changes in allowance for receivable

For the Year Ended December 31, 2020	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 27,753	\$ 7,906	\$ 340,163	\$ 375,822	\$ 374,588	\$ 750,410
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(220)	29,524	(5,385)	23,919	-	23,919
From conversion to credit-impaired financial assets	(25)	(19,532)	71,094	51,537	-	51,537
To 12-month ECL	36	(3,878)	(105)	(3,947)	-	(3,947)
Derecognizing financial assets during the current period	(73,190)	(3,644)	(21,367)	(98,201)	-	(98,201)
Purchased or originated new financial assets	94,506	3,837	767	99,110	-	99,110
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	118,537 (88,001)	118,537 (214,083)
Write-off	(3)	(284)	(125,795)	(126,082)	-	(214,083)
Changes in model/risk parameters	5,522	(316)	(2,698)	2,508	-	2,508
Effect of exchange rate changes and others	(370)	(22)	13,014	12,622	(6,895)	5,727
Balance, December 31	\$ 54,009	\$ 13,591	\$ 269,688	\$ 337,288	\$ 398,229	\$ 735,517

For the Year Ended December 31, 2019	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 19,757	\$ 5,705	\$ 369,656	\$ 395,118	\$ 499,687	\$ 894,805
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(103)	16,510	(5,742)	10,665	-	10,665
From conversion to credit-impaired financial assets	(18)	(11,161)	92,048	80,869	-	80,869
To 12-month ECL	28	(3,084)	(189)	(3,245)	-	(3,245)
Derecognizing financial assets during the current period	(30,241)	-	(71,626)	(101,867)	-	(101,867)
Purchased or originated new financial assets	39,045	296	33,823	73,164	-	73,164
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	(48,041) (73,803)	(48,041) (144,404)
Write-off	(2)	(147)	(70,452)	(70,601)	-	(144,404)
Changes in model/risk parameters	(162)	(192)	(1,745)	(2,099)	-	(2,099)
Effect of exchange rate changes and others	(551)	(21)	(5,610)	(6,182)	(3,255)	(9,437)
Balance, December 31	\$ 27,753	\$ 7,906	\$ 340,163	\$ 375,822	\$ 374,588	\$ 750,410

Note: The amounts of receivables include other financial assets' non-performing receivables transferred from loans.

Change in allowance for debt instrument at fair value through other comprehensive income

For the Year Ended December 31, 2020	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 37,879	\$ -	\$ -	\$ 37,879
Purchased new debt instrument	36,351	-	-	36,351
Derecognized	(18,915)	-	-	(18,915)
Model/risk parameters changes	2,871	-	-	2,871
Effect of exchange rate changes and others	<u>3,266</u>	<u>-</u>	<u>-</u>	<u>3,266</u>
Balance December 31	<u>\$ 61,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,452</u>

For the Year Ended December 31, 2019	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 25,714	\$ -	\$ -	\$ 25,714
Purchased new debt instrument	34,837	-	-	34,837
Derecognized	(20,139)	-	-	(20,139)
Effect of exchange rate changes and others	<u>(2,533)</u>	<u>-</u>	<u>-</u>	<u>(2,533)</u>
Balance December 31	<u>\$ 37,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,879</u>

Change in allowance for debt instrument at amortized cost

For the Year Ended December 31, 2020	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 8,034	\$ -	\$ -	\$ 8,034
Purchased new debt instrument	3,004	-	-	3,004
Derecognized	(525)	-	-	(525)
Model/risk parameters changes	391	-	-	391
Effect of exchange rate changes and others	<u>987</u>	<u>-</u>	<u>-</u>	<u>987</u>
Balance December 31	<u>\$ 11,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,891</u>

For the Year Ended December 31, 2019	Credit Rating			Total
	12-months ECL	Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 6,233	\$ -	\$ -	\$ 6,233
Purchased new debt instrument	7,042	-	-	7,042
Derecognized	(4,308)	-	-	(4,308)
Effect of exchange rate changes and others	<u>(933)</u>	<u>-</u>	<u>-</u>	<u>(933)</u>
Balance December 31	<u>\$ 8,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,034</u>

13) The financial impact of credit risk mitigation policies

a) Collateral and other credit enhancements

The Group implements a series of policies and measures to reduce credit risk for loan business; one of the commonly used methods is to require borrowers to provide collateral. The Group has designed and follows procedures for enforcing rights to collateral and the valuation, management, and disposal of collateral. The main types of collateral for financial assets of the Group are as follows:

- i. Real estate mortgage loan.
- ii. Derivatives margin agreement.

The credit contract has provisions for the preservation of debts and guarantees, which clearly define that when credit incidents occur, the Group is able to reduce the credit limit, shorten the loan repayment deadline or treat all of them as due, so as to reduce the credit risk.

Other collateral for non-loan business depends on the nature of the financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-pooled financial instruments.

There was no material change in the collateral policy of the Bank, and there was no significant change in the overall collateral quality on the balance sheet date.

b) Amount of collateral for impaired financial assets

The Group closely observes the value of the collateral of the financial instruments and considers adequacy of the allowance for the credit-impaired financial assets. On December 31, 2020 and 2019, the amount of discounts and loans were \$4,924,923 and \$4,450,358, with a provision for loss allowance of \$999,303 and \$876,821 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposits, etc., which reduced the potential loss, amounted to \$2,082,399 and \$2,789,473.

c) The contracted amount of financial assets that have been written off and still have recourse activities

The contracted amount of financial assets that have been written off by the Bank and still have recourse activities is \$46,629,546 and \$47,022,061 on December 31, 2020 and 2019.

14) Management policies of collaterals assumed

Collaterals assumed are classified as other assets. According to regulations, the Bank should dispose of collaterals within four years.

There are no assumed collaterals of the Group as of December 31, 2020 and 2019, respectively.

15) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Overdue loans and receivables

Date			December 31, 2020				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 471,944	\$ 222,296,550	0.21%	\$ 2,918,173	618.33%
	Unsecured		280,701	359,241,293	0.08%	4,302,276	1,532.69%
Consumer loan	Mortgage (Note 4)		277,420	299,969,781	0.09%	4,620,614	1,665.57%
	Cash card		27	3,995	0.68%	107	396.30%
	Micro credit (Note 5)		69,336	23,679,481	0.29%	362,634	523.01%
	Others (Note 6)	Secured	457,503	218,269,353	0.21%	2,377,479	519.66%
		Unsecured	945	2,361,126	0.04%	26,136	2,765.71%
Total			1,557,876	1,125,821,579	0.14%	14,607,419	937.65%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			23,498	19,109,830	0.12%	201,309	856.71%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	10,364,469	-	129,112	-

Date			December 31, 2019				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 639,963	\$ 187,393,578	0.34%	\$ 2,588,709	404.51%
	Unsecured		356,816	290,519,287	0.12%	4,071,874	1,141.17%
Consumer loan	Mortgage (Note 4)		469,156	290,877,699	0.16%	4,442,885	947.00%
	Cash card		13	5,842	0.22%	14,204	109,261.54%
	Micro credit (Note 5)		62,651	20,263,420	0.31%	212,922	339.85%
	Others (Note 6)	Secured	583,291	200,347,184	0.29%	2,153,894	369.27%
		Unsecured	4,249	2,477,462	0.17%	28,158	662.70%
Total			2,116,139	991,884,472	0.21%	13,512,646	638.55%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			47,999	18,238,445	0.26%	211,163	439.93%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	12,024,130	-	145,552	-

Note 1: For loan business: Overdue loans represent the amounts of overdue loans reported in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: $NPL \text{ ratio} = NPL \div \text{Total loans}$.

For credit card business: $\text{Delinquency ratio} = \text{Overdue receivables} \div \text{Accounts receivable}$.

Note 3: For loan business: $\text{Coverage ratio} = LLR \div NPL$.

For credit card business: $\text{Coverage ratio} = \text{Allowance for credit losses} \div \text{Overdue receivables}$.

Note 4: Household mortgage loan is a financing to be used by a borrower to buy, build, or fix a dwelling, and the dwelling owned by the borrower, spouse, or children is used to fully secure the loan.

Note 5: Micro credit loan is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950) and is not credit and debit cards' micro credit loan.

Note 6: Others in consumer loans refers to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.

Note 7: For accounts receivable - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 0945000494), which is equal to dated August 24, 2009 (Ref. 09850003180), and allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

Note 8: Part of non-performing receivables transferred from other than loans was included.

b) Excluded NPLs and excluded overdue receivables

Date	December 31, 2020		December 31, 2019	
Items	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreement (Note 1)	\$ 787	\$ 34,687	\$ 1,132	\$ 49,098
As a result of consumer debt clearance (Note 2)	18,995	648,216	13,072	663,475
Total	\$ 19,782	\$ 682,903	\$ 14,204	\$ 712,573

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreement is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs, pre-mediation and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

c) Concentration of credit extensions

Year	December 31, 2020		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (packaging and testing of semi-conductors)	\$ 12,022,746	8.61
2	B Group (manufacture of computers)	10,589,019	7.58
3	C Group (real estate development activities)	6,377,786	4.57
4	D Group (manufacture of passive electronic components)	4,408,850	3.16
5	E Group (manufacture of liquid crystal panel and components)	4,340,808	3.11
6	F Company (other metalworking activities)	4,300,000	3.08
7	G Group (rolling and extruding of iron and steel)	4,114,833	2.95
8	H Group (water transportation)	3,968,591	2.84
9	I Group (metal casting)	3,912,517	2.80
10	J Group (real estate development activities)	3,528,000	2.53

Year	December 31, 2019		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (other holding companies)	\$ 9,172,083	6.86
2	B Group (manufacture of computers)	7,032,824	5.26
3	C Group (manufacture of computers)	6,799,043	5.09
4	D Group (manufacture of liquid crystal panel and components)	5,801,644	4.34
5	E Group (rolling and extruding of iron and steel)	5,332,607	3.99
6	F Group (metal casting)	4,243,672	3.17
7	G Company (other metalworking activities)	3,500,000	2.62
8	H Group (real estate development activities)	3,278,000	2.45
9	I Group (amusement and recreation activities)	3,211,200	2.40
10	J Company (water transportation)	2,559,456	1.91

Note 1: Ranking of top 10 groups (excluding government or state - owned utilities) whose total credit consists of loans.

Note 2: Groups were those as defined in Articles 6 of the Supplementary Provision to the Taiwan Stock Exchange Corporation's Rules for Review of Securities Listings Law.

Note 3: Total credit is the sum of all loans (including import and export bills negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and non-performing loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantee deposit issued.

d. Liquidity risk management

1) Definition of liquidity risk

Liquidity is the Bank's ability to provide sufficient funding for asset growth and matured liabilities. Liquidity risk means the risk banks cannot obtain sufficient fund with reasonable cost and correct timing, and then suffer losses on earnings or capital.

The measures of enhancing cash liquidity are holding sufficient cash and highly liquid able securities, adjusting maturities differences, savings absorption or arranging borrowings, etc.

a) Strategies

The Bank established a sound liquidity risk managing system based on business' scale and characteristic, assets and liabilities' structure, funding strategies and diversity of funding sources to ensure it would have sufficient funding for obligations in normal or worst scenario.

b) Risk measurement

The Bank uses quantitative analysis to manage liquidity risk. Cash flow deficit and liquidity management goals are used as measure instruments to report monthly the analysis results to the assets and liabilities managing committee.

Stress testing is done to ensure the Bank would have sufficient funding for asset growth and matured liabilities despite any internal operating problems or adverse changes in the financial environment.

c) Risk monitoring

The Bank established a liquidity deficit limit and an early warning system to detect liquidity risk and take appropriate action at the right time.

The Bank has formed a crisis management team to handle any liquidity crisis. The general manager is the team convener, and the managers of the financial obligation department and the risk management department are the team members. The general manager can also assign the managers of related departments to join the team, depending on the situation. Members' rights and responsibilities are listed in "Bank SinoPac's Liquidity Risk Emergency Response Rule".

2) Maturity analysis of non-derivative financial liabilities held to manage liquidity risk

Cash outflow analyses of non-derivative financial liabilities of the Bank and Bank SinoPac (China) are summarized in the following tables. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

The Bank

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 27,918,163	\$ 32,615,631	\$ 10,946,188	\$ 66,940	\$ -	\$ 71,546,922
Due to the central bank and banks	7	51,894	7	28,501	-	80,409
Financial liabilities at fair value through profit or loss	-	-	-	-	1,598,698	1,598,698
Securities sold under repurchase agreements	2,296,713	1,344,465	63,601	-	-	3,704,779
Payables	6,603,613	830,208	239,414	275,820	2,535,476	10,484,531
Deposits and remittances	1,012,653,855	189,986,177	143,944,662	260,705,696	26,813,256	1,634,103,646
Bank debentures	6,079	2,713,513	127,738	3,372,059	42,088,329	48,307,718
Other financial liabilities	-	-	-	743,236	-	743,236

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 22,893,091	\$ 11,697,518	\$ 14,227,742	\$ 113,661	\$ -	\$ 48,932,012
Financial liabilities at fair value through profit or loss	-	-	-	-	1,688,638	1,688,638
Securities sold under repurchase agreements	4,050,626	3,698,019	530,263	-	-	8,278,908
Payables	5,660,732	590,552	43,802	192,545	2,814,383	9,302,014
Deposits and remittances	788,990,001	189,889,385	152,804,531	217,634,272	26,690,617	1,376,008,806
Bank debentures	6,095	1,993,152	181,995	2,373,112	31,056,122	35,610,476

Bank SinoPac (China)

(In Thousands of CNY)

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 258,733	\$ 524,024	\$ 426,806	\$ 598,620	\$ -	\$ 1,808,183
Payables	722,921	136,211	1,560	26,007	-	886,699
Deposits and remittances	4,540,601	808,328	372,027	1,034,790	100,369	6,856,115

(In Thousands of CNY)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 789,234	\$ 241,204	\$ 141,300	\$ 518,147	\$ -	\$ 1,689,885
Securities sold under repurchase agreements	198,547	-	-	-	-	198,547
Payables	223,014	30,603	75,876	132,232	-	461,725
Deposits and remittances	1,568,260	1,214,266	877,630	982,669	26,628	4,669,453

3) Maturity analysis of financial derivatives held for liquidity risk management

a) Derivative liabilities settled on a net basis

Derivative liabilities of the Bank and Bank SinoPac (China) settled on a net basis include, but are not limited to:

Foreign exchange derivatives: Non-deliverable foreign exchange forwards, net cash flow settled foreign exchange options, etc.;

Interest rate derivatives: Forward rate agreements, interest rate swaps and interest rate futures contracts;

Other derivatives: Stock options and commodity futures.

A hedging derivative financial instrument is managed within the contract period and it is disclosed as undiscounted cash flow based on its maturity. The Bank and Bank SinoPac (China) use derivative financial liabilities at fair value through profit or loss mainly to accommodate customers' needs and manage their own exposure positions, and disclosed the derivative financial liabilities at fair value based on the shortest period that payment would be required.

The Bank

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 4,930,871	\$ -	\$ -	\$ -	\$ -	\$ 4,930,871

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 6,659,894	\$ -	\$ -	\$ -	\$ -	\$ 6,659,894

Bank SinoPac (China)

(In Thousands of CNY)

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 6,463	\$ -	\$ -	\$ -	\$ -	\$ 6,463

(In Thousands of CNY)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 5,716	\$ -	\$ -	\$ -	\$ -	\$ 5,716

b) Derivatives settled on a gross basis

Gross settled derivatives of the Bank and Bank SinoPac (China) include:

Foreign exchange derivatives: Foreign exchange forward agreements, foreign exchange swaps, cross currency swaps and gross settled foreign exchange options.

Among which, foreign exchange forwards, foreign exchange swaps, and cross currency swaps are organized into the corresponding time periods based on the cash flow indicated on the contracts, and therefore the amount disclosed will not correspond to the relevant items in the consolidated balance sheet; the gross settled foreign exchange options, as a position reserved for the purpose of transaction, the Bank and Bank SinoPac (China) are able to adjust the position at any time, and therefore the cash inflow and outflow of such are expressed at their fair values, and they are placed in the most recent time period alongside the derivative liabilities settled on a net basis.

The Bank

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 328,647,096	\$ 261,676,902	\$ 195,750,840	\$ 238,934,793	\$ 5,000,411	\$ 1,030,010,042
Cash outflow	329,002,676	261,615,347	196,200,139	239,348,488	4,960,371	1,031,127,021

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 432,982,328	\$ 468,193,185	\$ 279,111,702	\$ 168,330,763	\$ 3,501,050	\$ 1,352,119,028
Cash outflow	433,313,252	468,363,588	278,904,407	168,404,102	3,504,300	1,352,489,649

Bank SinoPac (China)

(In Thousands of CNY)

December 31, 2020	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 5,244,963	\$ 4,514,002	\$ 7,012,346	\$ 1,008,453	\$ -	\$ 17,779,764
Cash outflow	5,314,808	4,566,215	7,059,472	1,010,267	-	17,950,762

(In Thousands of CNY)

December 31, 2019	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 769,486	\$ 2,472,964	\$ 13,532,957	\$ 725,475	\$ -	\$ 17,500,882
Cash outflow	769,842	2,471,678	13,547,335	725,475	-	17,514,330

4) Maturity analysis of off-balance sheet items

Maturity analysis of off-balance sheet items are summarized in the following tables. Financial guarantee contracts of the Bank and Bank SinoPac (China) that assume full amount are available or require to execute at the earliest time. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

The Bank

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 215,995	\$ 1,317,788	\$ 5,456,442	\$ 5,358,244	\$ 24,277,855	\$ 36,626,324
Guarantees	10,348,484	6,194,237	1,328,332	4,593,308	8,295,644	30,760,005
Standby letter of credit	1,366,740	3,104,846	752,802	209,083	-	5,433,471

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 421,742	\$ 3,611,057	\$ 1,652,946	\$ 3,221,698	\$ 24,347,215	\$ 33,254,658
Guarantees	4,643,177	3,818,457	2,606,552	2,731,465	5,772,087	19,571,738
Standby letter of credit	647,393	2,188,201	412,565	85,955	-	3,334,114

Bank SinoPac (China)

(In Thousands of CNY)

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loans commitments	\$ -	\$ -	\$ -	\$ 5,937	\$ 146,379	\$ 152,316
Guarantee	16,885	126,341	157,500	529,272	203,020	1,033,018
Standby letter of credit	56,996	76,817	18,160	-	-	151,973

(In Thousands of CNY)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loans commitments	\$ -	\$ -	\$ -	\$ -	\$ 101,000	\$ 101,000
Guarantee	164,765	149,147	237,387	327,797	122,263	1,001,359
Standby letter of credit	503	127,300	53,395	-	-	181,198

5) Maturity analysis of lease commitments

Lease agreement commitment is the minimum lease payment when the Group is lessee or lessor with non-cancelling condition.

Maturity analysis of lease commitments is summarized as follows:

December 31, 2020	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement commitments				
Lease liabilities (lessee)	\$ 603,836	\$ 1,193,368	\$ 806,758	\$ 2,603,962
Operating lease income (lessor)	77,822	179,793	11,400	269,015

December 31, 2019	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement commitments				
Lease liabilities (lessee)	\$ 650,304	\$ 1,197,853	\$ 697,847	\$ 2,546,004
Operating lease income (lessor)	87,495	165,219	-	252,714

6) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of assets and liabilities of the Bank (New Taiwan dollars)

	December 31, 2020						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,704,625,195	\$ 186,799,412	\$ 255,490,796	\$ 223,412,961	\$ 112,774,421	\$ 173,466,725	\$ 752,680,880
Main capital outflow on maturity	2,046,100,759	85,434,450	144,144,334	249,143,931	226,940,682	481,502,078	858,935,284
Gap	(341,475,564)	101,364,962	111,346,462	(25,730,970)	(114,166,261)	(308,035,353)	(106,254,404)

	December 31, 2019						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,584,282,248	\$ 216,049,139	\$ 215,336,729	\$ 229,156,993	\$ 140,206,154	\$ 116,428,452	\$ 667,104,781
Main capital outflow on maturity	1,938,793,240	148,311,046	136,713,893	303,348,780	256,783,722	362,690,210	730,945,589
Gap	(354,510,992)	67,738,093	78,622,836	(74,191,787)	(116,577,568)	(246,261,758)	(63,840,808)

Note: The amounts shown in this table are the Bank's position denominated in NTD.

b) Maturity analysis of assets and liabilities of the Bank (U.S. dollars)

(In Thousands of U.S. Dollars)

	December 31, 2020					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 34,423,991	\$ 10,178,365	\$ 6,429,725	\$ 4,213,107	\$ 5,532,400	\$ 8,070,394
Main capital outflow on maturity	35,799,107	10,168,260	8,568,027	6,214,963	5,427,801	5,420,056
Gap	(1,375,116)	10,105	(2,138,302)	(2,001,856)	104,599	2,650,338

(In Thousands of U.S. Dollars)

	December 31, 2019					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 35,619,661	\$ 12,054,746	\$ 10,017,115	\$ 5,161,570	\$ 3,359,922	\$ 5,026,308
Main capital outflow on maturity	36,926,414	11,091,598	11,198,187	7,273,734	4,301,525	3,061,370
Gap	(1,306,753)	963,148	(1,181,072)	(2,112,164)	(941,603)	1,964,938

Note: The amounts shown in this table are the Bank's position denominated in USD.

e. Market risk

1) Definition of market risk

Market risk arises from market changes (such as those referring to interest rates, exchange rates, equity securities and commodity prices) which may cause the fluctuation of a financial instrument's fair value or future cash flow. The Bank's net revenue and investment portfolio value may fluctuate when risk factors above change.

The main market risks the Bank should overcome pertain to interest rate, exchange rate and equity securities. Interest rate risks primarily refer to bonds and interest rate related derivative instruments such as fixed rate and floating rate interest rate swaps and bond options; the exchange rate risk refers to foreign currency investments the Bank holds such as exchange rate related derivative instruments and foreign currency bonds; equity securities risk includes listed stocks and equity related derivative financial instruments.

2) Management strategies and procedures

To follow the "Market Risk Management Rule" and other regulations, the Bank established standards for risk identification, measurement, supervision and reporting to set up appropriate risk management framework for every kind of market risk.

In accordance with the risk management limit approved by the board of directors, the Bank supervises every loss limit and position at risk such as interest rate, exchange rate, equity security, spot trading and forward contract, option, future, swap, and related sensitivity information derived from spot trading to confirm that market risk exposure is accepted to the Bank.

The Bank separates its transactions into hedge and non-hedge on the basis of trading purposes. For hedge transactions, the Bank should measure hedge relations, risk management goals and hedge strategies. The Bank should also perform hedge testing for hedging effectiveness.

3) Organization and framework

The board of directors is the top supervision and decision making level of the Bank; it determines every risk management procedure and limit on the basis of its operating strategy and the business environment.

The Bank also set up a risk management department headed by a general manager to establish risk managing principles, regulate risk managing policies, and plan and set up a risk management system.

Following the internal control and segregation of duties principles, the Bank had certain related functions with market risk exposures transformed into three independent departments: Trading, risk control and settlement departments, usually called front office, middle office and back office. Nevertheless, the risk management department remains in charge of market risk control, i.e., it is responsible for identifying measuring, controlling and reporting market risk.

4) Market risk control procedure

a) Identification and measurement

Risk measurement includes exposures changes in the market of interest rates, exchange rates, and equity securities, which affect spot trading and forward, option, futures, and swap transactions or related combined transactions derived from spot trading. The Bank set up appropriate market risk limits based on commodity category, characteristic and complexity. The limits are the nominal exposure limit, the risk factor sensitivity limit of options as measured by Delta/Vega/DV01 and the loss control limit. These limits are calculated by the risk control department through measurements (such as those of the Black & Scholes Model) provided by financial data and company information providers (e.g. Murex and Bloomberg) based on market prices.

b) Supervision and reporting

The Bank's market risk management department prepares risk management reports such as those on daily market valuations, value at risk and risk limits. If the risk is over the limit, the department should report this situation to the transaction department and appropriate managers in the risk management department. The department should also collect and organize bank market risk exposure information, risk value, risk limit rules, and information on situations in which limits are exceeded, analyze security investments, and submit regularly to the board of directors reports on the collected information and security investment analysis.

5) Trading book risk management policies

a) Definitions

The trading book is an accounting book of the financial instruments and physical commodities held for trading or hedged by the Bank. Held-for-trading position refers to revenues earned from practical or impractical trading differences. Positions that should not be recorded in the trading book are recorded in the banking book.

b) Strategies

The Bank earns revenues from trading spreads or fixed arbitrage debt and equity instruments are held for short periods of time, purchased with the intention of profiting from short-term price changes through properly control short-term fluctuation of market risk factors (interest rate, exchange rate and stock price). It executes hedge transactions as needed.

c) Policies and procedures

The Bank carries out “Market Risk Management Policy” to control market risk.

Under the above policy, traders may autonomously operate and manage positions within the range of authorized limits and the approved trading strategy. The market risk management department supervises trading positions (including limit, liquidity, the ability to establish hedge positions and investment portfolio risk) based on market information and evaluates market information quality, acquirability, liquidity and scale which are calculated into the pricing model.

d) Assessment policies

The Bank assesses financial instruments once a day on the basis of information obtained from independent sources if market prices are acquirable. If the Bank assesses financial instruments using a pricing model, it should be careful in making mathematical calculations and should review the pricing model’s assumptions and parameters regularly.

e) Measurements

- i. The risk valuation and calculation methods are described in Note 44 e, 10).
- ii. The calculation of the nominal exposure amount and the risk factor sensitivity value Delta/Vega/DV01 is done through the trading systems.
- iii. The Bank makes stress tests using a light scenario (change in interest rate ± 100 bp, change in securities $\pm 15\%$ and change in exchange rate $\pm 3\%$) and serious scenario (change in interest rate ± 200 bp, change in securities $\pm 30\%$ and change in exchange rate $\pm 6\%$) and reports the stress test results to the board of directors.

6) Trading book interest rate risk management

a) Definitions

Interest rate risk refers to a decrease in earnings and value of financial instruments due to adverse interest rate fluctuations. Major instruments with interest rate risk include securities and derivative instruments.

b) Procedures

The Bank has a trading limit and a stop-loss limit (which should be applied to trading instrument by the dealing room and dealers) based on management strategy and market conditions; limits have been approved by the board of directors.

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 44 e, 10).
- ii. DV01 is used daily to measure the impact of interest rate changes on investment portfolios.

7) Trading book exchange rate risk management

a) Definitions

Exchange rate risk refers to the incurrence of loss from the exchange of currencies in different timing. The Bank's major financial instruments exposed to exchange rate risk spot contract, forward contracts, and FX option.

b) Policies and procedures

To control the exchange rate risk, the Bank sets trading limit and stop-loss limit and requires the dealing room, dealers, etc., to observe these limits.

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 44 e, 10).
- ii. Exposure positions are measured daily for the impact of exchange rate changes on investment portfolio value.

8) Trading book equity risk management

a) Definitions

Market risk of equity securities includes individual risk which arises from volatility of market price on individual equity securities and general market risk which arises from volatility of overall market price.

b) Procedures

To control equity risk, the Bank sets investment position limits and stop-loss limits. The limits are approved by the board of directors. Within the limit of authority, The Bank sets investment position limits and stop-loss limits for each dealer.

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 44 e, 10).
- ii. Exposure positions are measured daily to measure the impact of equity risk on investment portfolio value due from equity risk.

9) Banking book interest rate risk management

Banking book interest rate risk refers to the decrease in the value of the banking book portfolio due to unfavorable interest rate changes. The banking book interest rate risk is not related to the interest rate position shown in the trading book.

Through managing the banking book interest rate risk, the Bank can measure and manage the risk to earnings and financial position caused by interest rate fluctuations.

a) Strategies

To reduce the negative effect of interest rate changes on net interest revenue and economic value, the Bank adjusts positions within certain limits for better performance. It reviews the interest rate sensitivity regularly to create maximum profit and manage interest rate risk.

b) Risk measurement

Risk measurement refers to the interest rate risk of assets, liabilities, and off-balance-sheet positions. The Bank periodically reports interest rate sensitivity positions and measures the impact of interest rate fluctuations on interest rate-sensitive assets and net interest revenue.

c) Risk monitoring

The asset and liability management committee examines and monitors exposure to interest rate risk on the basis of the measurement provided by the risk management sector.

If the risk exposure condition exceeds the limit or target value, the risk management sector should investigate how this condition arose and notify the executive division accordingly. The executive division coordinates with relevant divisions to find solutions to problems. The asset and liability management committee will evaluate solutions for effectiveness. If evaluation results are positive, the relevant division will apply the solutions.

10) Banking book equity risk management

Banking book equity risk refers to the decrease in the value of the held equity due to unfavorable effects of certain situations. The Bank established control policies related to equity instruments to make the risk within controllable range.

a) Strategies

The Bank has established comprehensive investment decision procedures, risk control measures, principles of disposal, and regular assessment of investment situation in order to raise the benefits of long-term fund management, reach the balance of profit and risk, and pursue the long-term stable investment performance.

b) Risk measurement

The Bank has set up criteria for equity securities to be selected for investment, such as time horizons, investment upper limits and credit ratings to control the risks of equity securities.

c) Risk monitoring

The Bank holding an investment with specific amount of valuation loss should submit the description of the situation and the suggested plan for action, and continue the monitoring of the case.

The Bank regularly assesses the risk of the investment target, checks the extent of the concentration in industries and reports the overview of the investment portfolio to the committee on the management of assets and liabilities.

11) Market risk measurement technique

Value at Risk (VaR)

The Bank uses the Risk Manager system and stress testing to measure its investment portfolio risk and uses several hypotheses about market conditions to measure market risk and expected maximum loss of holding positions. The Bank's board of directors has set a VaR limit. The VaR is controlled daily by the market risk management sector and is a widely used risk measure of the risk of loss on a specific portfolio of financial assets.

VaR is the statistical estimate of the potential loss of holding positions due to unfavorable market conditions. For the Bank, VaR refers to a fall in value of its holding position in a day, with a 99% confidence level. The Bank uses VaR and the Monte Carlo simulation method to derive quantitative measures for the market risks of the holding positions under normal conditions. The calculated result is used to test and monitor the validity of parameters and hypotheses periodically. However, the use of the VaR cannot prevent loss caused by huge unfavorable changes in market conditions.

The Bank considers the expected maximum loss, target profit, and operating strategy in setting the VaR, which is proposed by the market risk management sector and approved by the board of directors.

The Bank's trading book VaR overview.

	For the Year Ended December 31, 2020		
	Average	Maximum	Minimum
Exchange rate risk	15,788	51,534	5,023
Interest rate risk	60,552	200,058	24,903
Equity risk	30	2,625	-
Total VaR	63,709	203,536	26,205

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2020.01.02 - 2020.12.31.

	For the Year Ended December 31, 2019		
	Average	Maximum	Minimum
Exchange rate risk	12,058	33,253	5,140
Interest rate risk	61,482	108,926	37,019
Equity risk	-	-	-
Total VaR	63,449	111,600	37,947

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2019.01.02 - 2019.12.31.

Bank SinoPac (China)'s trading book VaR overview.

(In Thousands of CNY)

	For the Year Ended December 31, 2020		
	Average	Maximum	Minimum
Exchange rate risk	2,471	5,830	678
Interest rate risk	391	1,864	31
Equity risk	-	-	-
Total VaR	650	2,033	165

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2020.01.01 - 2020.12.31.

(In Thousands of CNY)

	For the Year Ended December 31, 2019		
	Average	Maximum	Minimum
Exchange rate risk	614	1,738	61
Interest rate risk	112	1,204	-
Equity risk	-	-	-
Total VaR	393	1,266	49

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2019.01.01 - 2019.12.31.

12) Exchange rate risks

Exchange rate risks of holding net positions in foreign currencies are shown as below:

December 31, 2020			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 13,870,720	28.50837	\$ 395,431,618
CNY	16,967,587	4.38324	74,373,006
Nonmonetary items			
USD	393,237	28.50837	11,210,546
<u>Financial liabilities</u>			
Monetary items			
USD	18,198,751	28.50837	518,816,727
CNY	16,258,852	4.38324	71,266,450
December 31, 2019			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,557,978	30.1122	\$ 317,923,934
CNY	14,808,959	4.3224	64,010,244
Nonmonetary items			
USD	410,542	30.1122	12,362,313
<u>Financial liabilities</u>			
Monetary items			
USD	14,842,365	30.1122	446,936,263
CNY	14,152,410	4.3224	61,172,377

13) Compliance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Interest rate sensitivity information (New Taiwan dollars)

December 31, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,093,452,921	\$ 47,911,279	\$ 76,783,322	\$ 108,445,978	\$ 1,326,593,500
Interest rate-sensitive liabilities	283,544,383	678,130,636	146,822,802	52,670,713	1,161,168,534
Interest rate-sensitive gap	809,908,538	(630,219,357)	(70,039,480)	55,775,265	165,424,966
Net worth					136,402,893
Ratio of interest rate-sensitive assets to liabilities (%)					114.25%
Ratio of interest rate-sensitive gap to net worth (%)					121.28%

December 31, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 976,144,175	\$ 24,315,775	\$ 61,828,490	\$ 114,809,584	\$ 1,177,098,024
Interest rate-sensitive liabilities	309,456,258	510,478,376	93,913,325	58,606,204	972,454,163
Interest rate-sensitive gap	666,687,917	(486,162,601)	(32,084,835)	56,203,380	204,643,861
Net worth					132,128,375
Ratio of interest rate-sensitive assets to liabilities (%)					121.04%
Ratio of interest rate-sensitive gap to net worth (%)					154.88%

Note 1: The above amounts include only New Taiwan dollars held by the Bank and exclude contingent assets and contingent liabilities.

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

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

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

b) Interest rate sensitivity information (U.S. dollars)

December 31, 2020

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 9,724,612	\$ 402,110	\$ 183,944	\$ 2,377,660	\$ 12,688,326
Interest rate-sensitive liabilities	6,602,087	8,435,589	1,313,074	81,416	16,432,166
Interest rate-sensitive gap	3,122,525	(8,033,479)	(1,129,130)	2,296,244	(3,743,840)
Net worth					71,048
Ratio of interest rate-sensitive assets to liabilities (%)					77.22%
Ratio of interest rate-sensitive gap to net worth (%)					(5,269.45%)

December 31, 2019

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 7,714,387	\$ 207,535	\$ 196,423	\$ 1,230,062	\$ 9,348,407
Interest rate-sensitive liabilities	6,574,972	5,487,785	1,098,527	117,341	13,278,625
Interest rate-sensitive gap	1,139,415	(5,280,250)	(902,104)	1,112,721	(3,930,218)
Net worth					32,450
Ratio of interest rate-sensitive assets to liabilities (%)					70.40%
Ratio of interest rate-sensitive gap to net worth (%)					(12,111.61%)

Note 1: The above amounts include only USD held by the Bank and exclude contingent assets and contingent liabilities.

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

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

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

14) Transfers of financial assets

The transferred financial assets of the Group that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreements. The transaction transfers the contractual rights to receive the cash flows of the financial assets but the Group retains the liabilities to repurchase the transferred financial assets at fixed price in the future period. The Group cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, the Group still bear the interest rate risk and credit risk thus, the Group do not derecognize it. The analysis of financial assets and related liabilities that did not completely meet the derecognizing condition is shown in the following table:

Category of Financial Asset	December 31, 2020				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	\$ 1,058,746	\$ 1,015,961	\$ 1,058,746	\$ 1,015,961	\$ 42,785
Securities purchased under resell agreements Transactions under repurchase agreements	2,271,514	2,451,600	2,271,514	2,451,600	(180,086)

Category of Financial Asset	December 31, 2019				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	\$ 4,020,679	\$ 3,890,815	\$ 4,020,679	\$ 3,890,815	\$ 129,864
Investments in debt instruments at amortized cost Transactions under repurchase agreements	1,148,567	1,097,935	1,161,228	1,097,935	63,293
Securities purchased under resell agreements Transactions under repurchase agreements	2,822,902	3,047,485	2,822,902	3,047,485	(224,583)

15) Offsetting of financial assets and financial liabilities

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

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

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

December 31, 2020

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 20,531,649	\$ -	\$ 20,531,649	\$ 10,258,191	\$ 4,390,542	\$ 5,882,916
Securities purchased under resell agreements	<u>50,648,028</u>	<u>-</u>	<u>50,648,028</u>	<u>50,639,522</u>	<u>-</u>	<u>8,506</u>
	<u>\$ 71,179,677</u>	<u>\$ -</u>	<u>\$ 71,179,677</u>	<u>\$ 60,897,713</u>	<u>\$ 4,390,542</u>	<u>\$ 5,891,422</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 21,206,482	\$ -	\$ 21,206,482	\$ 10,258,191	\$ 1,885,934	\$ 9,062,357
Securities sold under repurchase agreements	<u>3,701,323</u>	<u>-</u>	<u>3,701,323</u>	<u>3,698,310</u>	<u>-</u>	<u>3,013</u>
	<u>\$ 24,907,805</u>	<u>\$ -</u>	<u>\$ 24,907,805</u>	<u>\$ 13,956,501</u>	<u>\$ 1,885,934</u>	<u>\$ 9,065,370</u>

Note: Including netting settlement agreements and non-cash financial collaterals.

December 31, 2019

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 12,288,648	\$ -	\$ 12,288,648	\$ 7,404,285	\$ 1,319,003	\$ 3,565,360
Securities purchased under resell agreements	<u>30,516,733</u>	<u>-</u>	<u>30,516,733</u>	<u>30,514,936</u>	<u>-</u>	<u>1,797</u>
	<u>\$ 42,805,381</u>	<u>\$ -</u>	<u>\$ 42,805,381</u>	<u>\$ 37,919,221</u>	<u>\$ 1,319,003</u>	<u>\$ 3,567,157</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 14,824,283	\$ -	\$ 14,824,283	\$ 7,404,285	\$ 1,420,744	\$ 5,999,254
Securities sold under repurchase agreements	<u>9,082,627</u>	<u>-</u>	<u>9,082,627</u>	<u>9,066,858</u>	<u>-</u>	<u>15,769</u>
	<u>\$ 23,906,910</u>	<u>\$ -</u>	<u>\$ 23,906,910</u>	<u>\$ 16,471,143</u>	<u>\$ 1,420,744</u>	<u>\$ 6,015,023</u>

Note: Including netting settlement agreements and non-cash financial collaterals.

45. CAPITAL MANAGEMENT

a. Overview

The Group's capital management goals are as follows:

As a basic target, the Group's eligible capital should be sufficient to meet their operation need, and higher than minimum requirements of the capital adequacy ratio. Eligible capital and legal capital are calculated under the regulations announced by the authority.

The Group should have adequacy capital to bear the risks, measure capital demand according to risk combination and risk characteristics, fulfill the optimization of resource and capital allocation by risk management.

b. Capital management procedure

The Group's capital adequacy ratio should meet the regulations announced by the authority. Also, the Group should maintain capital adequacy ratio by considering the Group's business scale, major operating strategy, risk condition, eligible capital structure, and future capital increase plan, etc. The Group reported to the authority regularly. Overseas subsidiaries' capital management is in accordance with local regulations.

The Group's capital maintenance is in accordance with "Regulations Governing the Capital Adequacy and Capital Category of Banks", etc., and is managed by the Group's risk management and financing divisions.

c. Statement of capital adequacy

Analysis Items			Year	December 31, 2020		December 31, 2019	
				Standalone	Consolidation	Standalone	Consolidation
Eligible capital	Common stock equity		\$ 127,040,342	\$ 129,349,315	\$ 123,600,106	\$ 125,981,077	
	Other Tier 1 capital		14,609,201	17,030,000	8,522,714	10,998,553	
	Tier 2 capital		29,791,673	35,352,578	18,789,936	23,741,613	
	Eligible capital		171,441,216	181,731,893	150,912,756	160,721,243	
Risk-weighted assets	Credit risk	Standardized approach	991,915,739	1,049,460,196	986,273,556	1,030,500,367	
		Internal rating - based approach	-	-	-	-	
		Securitization	-	-	-	-	
	Operational risk	Basic indicator approach	47,241,106	49,534,891	44,787,770	46,874,538	
		Standardized approach/ alternative standardized approach	-	-	-	-	
		Advanced measurement approach	-	-	-	-	
	Market risk	Standardized approach	39,468,868	39,704,293	46,858,475	48,874,413	
		Internal model approach	-	-	-	-	
	Total risk-weighted assets		1,078,625,713	1,138,699,380	1,077,919,801	1,126,249,318	
	Capital adequacy ratio			15.89%	15.96%	14.00%	14.27%
Common stock equity risk - based capital ratio			11.78%	11.36%	11.47%	11.19%	
Tier 1 risk - based capital ratio			13.13%	12.85%	12.26%	12.16%	
Leverage ratio			6.88%	7.06%	7.49%	7.71%	

Note 1: These tables were filled according to “Regulations Governing the Capital Adequacy Ratio of Banks” and related calculation tables.

Note 2: The Bank shall disclose the capital adequacy ratio for the current and previous years in annual financial reports. For semiannual financial report, the Bank shall disclose the capital adequacy ratio for the current period, previous period, and previous year-end.

Note 3: The formula is as follows:

- 1) Eligible capital = Common stock equity + Other Tier 1 capital + Tier 2 capital.
- 2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.
- 3) Ratio of capital adequacy = Eligible capital ÷ Total risk-weighted assets.
- 4) Common stock equity risk-based capital ratio = Common stock equity ÷ Total risk-weighted assets.
- 5) Tier 1 risk - based capital ratio = (Common stock equity + Other Tier 1 capital) ÷ Total risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Total exposure risk.

Note 4: In accordance with Financial Supervisory Commission Guideline No. 09900146911, gains from the sale of idle assets are not to be included in the Bank’s capital adequacy ratio calculation until disposed outside the Group.

Note 5: Under Order No. 10902745641 issued by the FSC, which referred to the amendment of “Eligible Capital and Risk-weighted Assets Calculation and Related Tables”, the real-estate-secured loans are divided into three types: “residential real estate exposures”, “commercial real estate exposures” and “land acquisition, development and construction exposures”; each type was given different risk weight based on the real estate loan ratio and type when the capital adequacy ratio was calculated on December 31, 2020.

46. CROSS-SELLING INFORMATION

For the years ended December 31, 2020 and 2019, the Bank charged SinoPac Securities for \$6,608 and \$3,133, respectively, as marketing and opening accounts. The rental fee the Bank charged SinoPac Securities for the years ended December 31, 2020 and 2019 were \$1,294 and \$3,229, respectively.

The Bank paid to SinoPac Securities \$4,954 and \$4,899 for the years ended December 31, 2020 and 2019 for bonus as part of the cross-selling agreement.

The Bank charged SinoPac Leasing for \$330 for the year ended December 31, 2020 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Leasing \$19 for the year ended December 31, 2020 for bonus as a part of the cross-selling agreement.

The Bank paid to SinoPac Venture Capital \$31 and \$12 for the years ended December 31, 2020 and 2019 for bonus as a part of the cross-selling agreement.

For other transactions between SPH and its subsidiaries, please refer to Note 40 and Table 2.

47. PROFITABILITY

Items		December 31, 2020	December 31, 2019
Return on total assets	Before income tax	0.60%	0.76%
	After income tax	0.53%	0.65%
Return on net worth	Before income tax	8.06%	9.16%
	After income tax	7.14%	7.83%
Profit margin		34.90%	37.66%

Note 1: $\text{Return on total assets} = \text{Income before (after) income tax} \div \text{Average total assets}$.

Note 2: $\text{Return on net worth} = \text{Income before (after) income tax} \div \text{Average net worth}$.

Note 3: $\text{Profit margin} = \text{Income after income tax} \div \text{Net revenues}$.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2020 and 2019.

Note 5: Beginning balance of average total assets and average net worth for the year ended December 31, 2019 is adjusted to calculate based on IFRS 16.

48. TRUST BUSINESS UNDER THE TRUST LAW

a. Balance sheets, income statement and trust properties of trust accounts

These statements were managed by the Bank's Trust Department. However, these items were not included in the Bank's financial statements.

Balance Sheets of Trust Accounts December 31, 2020 and 2019

	December 31			
	2020	%	2019	%
<u>Trust assets</u>				
Bank deposits	\$ 3,775,769	1	\$ 2,176,340	-
Bonds	11,558,992	2	7,491,614	2
Stocks	16,335,447	3	17,899,678	4
Funds	99,189,058	19	102,502,636	20
Securities lent	1,002,333	-	450,060	-
Receivables	111,840	-	77,409	-
Prepayments	4,877	-	8,759	-
Real estate				
Land	10,952,077	2	5,553,845	1
Buildings	221,569	-	97,720	-
Construction in progress	1,700,931	-	793,194	-
Securities under custody	<u>384,661,813</u>	<u>73</u>	<u>374,486,273</u>	<u>73</u>
Total trust assets	<u>\$ 529,514,706</u>	<u>100</u>	<u>\$ 511,537,528</u>	<u>100</u>
<u>Trust liabilities</u>				
Payables	\$ 829	-	\$ 789	-
Payable on securities under custody	384,661,813	73	374,486,273	73
Trust capital	142,300,276	27	133,777,969	26
Reserves and cumulative earnings				
Net income	(444,157)	-	3,644,585	1
Cumulative earnings	3,272,497	-	270,011	-
Deferred amount	<u>(276,552)</u>	<u>-</u>	<u>(642,099)</u>	<u>-</u>
Total trust liabilities	<u>\$ 529,514,706</u>	<u>100</u>	<u>\$ 511,537,528</u>	<u>100</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 \$3,041,368 and \$2,462,887, respectively. As of December 31, 2020 and 2019, the Bank's Offshore Banking Unit invested in domestic securities under specific purpose trust accounts amounting to \$706,974 and \$988,943, respectively.

Trust Properties of Trust Accounts
December 31, 2020 and 2019

Investment Portfolio	December 31	
	2020	2019
Bank deposits	\$ 3,775,769	\$ 2,176,340
Bonds	11,558,992	7,491,614
Stocks	16,335,447	17,899,678
Funds	99,189,058	102,502,636
Securities lent	1,002,333	450,060
Real estate		
Land	10,952,077	5,553,845
Buildings	221,569	97,720
Construction in progress	1,700,931	793,194
Securities under custody	<u>384,661,813</u>	<u>374,486,273</u>
Total	<u>\$ 529,397,989</u>	<u>\$ 511,451,360</u>

Income Statements of Trust Account
Years Ended December 31, 2020 and 2019

	Years Ended December 31			
	2020	%	2019	%
Trust income				
Interest income	\$ 12,243	2	\$ 14,533	-
Borrowed Securities income	8,326	1	10,828	-
Cash dividends	399,835	65	656,044	16
Gains from beneficial certificates	12,670	2	1,204	-
Realized investment income	23,153	4	59,806	2
Unrealized investment income	144,088	24	3,326,985	82
Other revenues	-	-	-	-
Donation revenue - charitable trust	<u>10,750</u>	<u>2</u>	<u>10,368</u>	<u>-</u>
Total trust income	<u>611,065</u>	<u>100</u>	<u>4,079,768</u>	<u>100</u>
Trust expense				
Trust administrative expenses	5,174	1	4,991	-
Tax expenses	43	-	41	-
Donation expense - charitable trust	4,312	1	4,336	-
Realized investment loss	30,612	5	64,954	2
Unrealized investment loss	1,014,839	166	360,579	9
Other expense	<u>242</u>	<u>-</u>	<u>282</u>	<u>-</u>
Total trust expense	<u>1,055,222</u>	<u>173</u>	<u>435,183</u>	<u>11</u>
Income before income tax	(444,157)	(73)	3,644,585	89
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income after income tax	<u>\$ (444,157)</u>	<u>(73)</u>	<u>\$ 3,644,585</u>	<u>89</u>

- b. The operations of the Bank's Trust Department consist of planning, managing and operating of trust business and affiliated business. These operations are governed by the Banking Law and the Trust Law.

49. OTHER

The Bank acquired SinoPac Call Center on May 1, 2019 (refer to Note 1). Business combination involving entities or businesses under common control does not apply the guidance of IFRS 3 “Business Combinations”; therefore, the Group’s business combination was accounted for in accordance with “IFRS Questions and Answers on IFRS 3: Business combination involving entities or business under common control” issued by the Accounting Research and Development Foundation of the Republic of China. The net assets of SinoPac Call Center at the reference date of the consolidation have been transferred to the Bank at book value of \$66,859 by cash merger.

50. ADDITIONAL DISCLOSURES

a. Relevant information of material transaction:

No.	Item	Explanation
1	Acquired and disposed of investment at costs or prices of at least NT\$300 million or 10% of the issued capital	None
2	Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the issued capital	None
3	Disposal of individual real estates at prices of at least NT\$300 million or 10% of the issued capital	None
4	Allowance for service fee to related parties amounting to at least NT\$5 million	None
5	Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital	Table 1
6	Trading information - sale of non-performing loans	None
7	Financial asset securitization	None
8	Related party transactions	Table 2
9	Other significant transactions which may affect the decisions of financial report users	None

b. Information related to subsidiary:

No.	Item	Explanation
1	Financing provided	None (Note)
2	Endorsements/guarantees provided	None (Note)
3	Marketable securities held	None (Note)
4	Acquisition and disposal of investment at costs or prices of at least NT\$300 million or 10% of the issued capital	None
5	Derivative transactions	None
6	Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the issued capital	None
7	Disposal of individual real estates at prices of at least NT\$300 million or 10% of the issued capital	None
8	Allowance for service fee to related parties amounting to at least NT\$5 million	None
9	Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital	None
10	Trading information - sale of non-performing loans	None
11	Financial asset securitization	None
12	Related party transactions	Table 2
13	Other significant transactions which may affect the decisions of financial report users	None

Note: Subsidiaries which belong to financial, insurance, securities industries and its main business registration include financing provided, endorsements/guarantees provided, acquisition and disposal of marketable securities do not need to disclose above information.

- c. The related information and proportionate share in investees: Table 3.
- d. Information on investment in Mainland China: Table 4.
- e. Information of major shareholders: Due to The Bank is not-listed on the Exchange and OTC Banking, not required for disclosure.

51. OPERATING SEGMENT INFORMATION

Based on chief decision maker's resource allocation and department performance review, the Bank has divided the business segments based on the services and products provided, excluding subsidiary accounted under the equity method.

The accounting standards and policies apply to all the business segments in accordance with IFRS 8 "Operating Segments". The Bank's operating segments for the years ended December 31, 2020 and 2019 are without change except SinoPac Capital Limited entering into the process in 2019 and closure of liquidation in November 2020 transferring to non-operating segment. The Bank reports the following:

Domestic branches: Provide services and products through 124 branches and Banking Division of the Head Office.

Financial transaction: Provide investment and bonds transaction services through financial operation units.

Overseas branches: Provide services and products for overseas customers through overseas branches.

Other business segments: Include retail finance (formerly was consumer finance and automobile loan), SinoPac Insurance Brokers - the Bank's subsidiary and Bank SinoPac (China) Ltd. - the Bank's subsidiary were not identified to disclose as individual segments.

The Group's reporting segments revenue and operating result are shown in the following table.

Segment revenues and results

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2020					
	Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments
Net interest revenue	\$ 12,704,528	\$ (26,084)	\$ 2,602,031	\$ 1,995,889	\$ 17,276,364	\$ (121,766)
Interest income	16,520,725	46,201	4,388,498	3,019,372	23,974,796	5,438,785
Revenue amount segments	5,261,875	227,604	(797,249)	(267,365)	4,424,865	(4,424,865)
Interest expenses	(9,078,072)	(299,889)	(989,218)	(756,118)	(11,123,297)	(12,258,983)
Service fee income, net	5,790,204	(14,040)	416,972	669,033	6,862,169	(156,230)
Others	418,092	1,805,619	424,034	(39,940)	2,607,805	1,478,823
Net revenue	18,912,824	1,765,495	3,443,037	2,624,982	26,746,338	1,200,827
Income (loss)	(1,116,579)	-	(789,911)	(215,938)	(2,122,428)	(210,149)
Bad debts expense, commitment and guarantee liability provision	(10,742,561)	(385,128)	(1,260,240)	(2,070,808)	(14,458,737)	(135,538)
Operating expenses	7,053,684	1,380,367	1,392,886	338,236	10,165,173	855,140
Profit from continuing operations before tax	(829,225)	(162,275)	(163,768)	(37,286)	(1,192,554)	(73,659)
Income tax expense	6,224,459	1,218,092	1,229,118	300,950	8,972,619	781,481
Net income						9,754,100

Area segment

	For the Year Ended December 31, 2020		
	Taiwan	America	Asia
Net revenue	\$ 24,583,626	\$ 403,162	\$ 2,960,377
Total			\$ 27,947,165

Segment revenues and results

	For the Year Ended December 31, 2019					
	Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments
Net interest revenue	\$ 11,965,021	\$ (185,169)	\$ 2,620,320	\$ 1,788,807	\$ 16,188,979	\$ (1,207,825)
Interest income	17,744,451	207,411	5,904,903	2,785,202	26,641,967	4,973,489
Revenue amount segments	6,542,743	44,671	(1,447,693)	(298,108)	4,841,613	(4,841,613)
Interest expenses	(12,322,173)	(437,251)	(1,836,890)	(698,287)	(15,294,601)	(1,339,701)
Service fee income, net	4,843,415	(22,724)	366,528	728,705	5,915,924	76,737
Others	495,919	1,598,197	519,919	71,438	2,685,473	3,666,770
Net revenue	17,304,355	1,390,304	3,506,767	2,588,950	24,790,376	2,535,682
Income (loss)	(808,089)	-	(189,449)	8,269	(989,269)	(58,696)
Bad debts expense, commitment and guarantee liability provision	(10,334,501)	(358,879)	(1,228,895)	(2,191,029)	(14,113,304)	(136,268)
Operating expenses	6,161,765	1,031,425	2,088,423	406,190	9,687,803	2,340,718
Profit from continuing operations before tax	(794,937)	(133,065)	(269,245)	(72,455)	(1,269,702)	(467,832)
Income tax expense	5,366,828	898,360	1,819,178	333,735	8,418,101	1,872,886
Net income						10,290,987

Area segment

	For the Year Ended December 31, 2019		
	Taiwan	America	Asia
Net revenue	\$ 23,120,415	\$ 403,345	\$ 3,802,298
Total			\$ 27,326,058

BANK SINOPAC**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS300 MILLION OR 10% OF THE ISSUED CAPITAL****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	\$ 1,060,929 (Note)	-	\$ -	-	\$ -	-

Note: Most of receivables resulted from the use of the linked-tax system (recognized in current income tax assets) and related parties.

TABLE 2

BANK SINOPAC AND SUBSIDIARIES**RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transaction Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Consolidated Revenue/Assets (%) (Note 3)
				Financial Statements Account	Transaction Amount	Transaction Item	
0	Bank SinoPac	Bank SinoPac (China) Ltd. Bank SinoPac (China) Ltd. Bank SinoPac (China) Ltd. Bank SinoPac (China) Ltd. Bank SinoPac (China) Ltd. SinoPac Insurance Brokers Ltd.	a a a a a	Cash and cash equivalents, net Due from the Central Bank and call loans to banks, net Receivables, net Deposits from the Central Bank and banks Interest income Deposits and remittances	\$ 1,334 3,771,144 118,956 11,156 53,209 78,092	Note 4 Note 4 Note 4 Note 4 Note 4 Note 4	- 0.19 0.01 - 0.19 -
1	Bank SinoPac (China) Ltd.	Bank SinoPac Bank SinoPac Bank SinoPac Bank SinoPac	b b b b	Cash and cash equivalents, net Deposits from the Central Bank and banks Payables Interest expenses	11,156 3,772,478 118,956 53,209	Note 4 Note 4 Note 4 Note 4	- 0.19 0.01 0.19
2	SinoPac Insurance Brokers Ltd.	Bank SinoPac Bank SinoPac	b b	Cash and cash equivalents, net Other financial assets, net	6,386 71,706	Note 4 Note 4	- -

Note 1: Transactions between parent company and subsidiaries should be distinguished as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered in sequence from 1.

Note 2: Types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Types of transactions with related parties classified as category a, in the trading relationship and material intercompany transactions between parent company and subsidiaries above, are iXBRL reporting items which are based on the Taiwan Stock Exchange letter (Ref. No. 1030005380).

Note 3: In the computation of percentage of consolidated revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be the balance dividing the consolidated assets if the amount is the amount of income or expense, the accounts percentage will be the amount dividing by the consolidated revenues in the same period.

Note 4: For the transactions between the Bank and related parties, the terms were similar to those for unrelated parties.

TABLE 3

BANK SINOPAC AND SUBSIDIARIES**INFORMATION ON INVESTED ENTERPRISES
FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars or Thousands Shares)**

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Gains (Losses)	Consolidated Investment			Note
						Shares	Imitated Shares	Total Shares	Percentage of Ownership (%)
Financial related enterprise Bank SinoPac (China) Ltd.	China	Commercial Bank	100.00	\$ 9,604,528	\$ 58,739	-	-	-	Subsidiary and Note 1
SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance services	100.00	78,670	4,123	100	-	100	Subsidiary and Note 1
SinoPac Capital Limited	Hong Kong	Credit and investment service	-	-	(767)	-	-	-	Subsidiary, Note 1 and Note 4
Global Securities Finance Corporation	Taiwan	Investment management	2.64	5,620	9,869	535	-	535	Note 2
Taipei Foreign Exchange Inc.	Taiwan	Foreign exchange market maker	3.43	16,055	4,080	680	-	680	Note 2
Taiwan Futures Exchange	Taiwan	Futures exchange and settlement	1.07	235,782	9,894	7,677	-	7,677	Note 2
Fuh Hwa Securities Investment Trust Co., Ltd.	Taiwan	Securities investment trust and consultant	4.63	91,693	33,353	2,779	-	2,779	Note 2
Financial Information Service Co., Ltd.	Taiwan	Planning and developing the information system of across banking institution and managing the information web system	2.41	645,298	33,655	12,574	-	12,574	Note 2
Taiwan Asset Management Corporation	Taiwan	Evaluating, auctioning, and managing for financial institutions' loan	0.28	19,320	1,950	3,000	-	3,000	Note 2
Taiwan Financial Asset Service Co.	Taiwan	Auction	5.88	76,300	800	10,000	-	10,000	Note 2
Sunny Asset Management Corp.	Taiwan	Purchasing for financial institutions' loan assets	1.42	621	211	85	-	85	Note 2
Taiwan Depository and Clearing Co.	Taiwan	Computerizing book-entry operation for securities	0.08	21,806	1,102	3,580	-	3,580	Note 2
Taiwan Mobile Payment Corporation	Taiwan	Promoting E-commerce and developing E-billing	1.00	4,704	-	600	-	600	Note 2
Nonfinancial related enterprise Taiwan Television Enterprise, Ltd.	Taiwan	Wireless television company	4.84	81,545	-	13,712	-	13,712	Note 2
Victor Taichung Machinery Works Co., Ltd.	Taiwan	Manufacturer and seller of tool machine, plastic machine and other precise equipment	0.08	1,686	47	157	-	157	Note 2

Note 1: Foreign-currency amounts were translated at the exchange rate on the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2020.

Note 2: Investment gains are dividend income.

Note 3: Above shares are in thousands of shares.

Note 4: Please refer to Table 4.

TABLE 4

BANK SINOPAC AND SUBSIDIARIES

 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Earnings (Losses) of Investee (Notes 2 and 3)	Percentage of Ownership (%)	Equity in the Earnings (Losses) (Notes 2 and 3)	Carrying Value (Notes 2 and 3)	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
Bank SinoPac (China) Ltd.	Commercial Bank	\$ 9,233,032	Investment in Mainland China directly	\$ 9,233,032	\$ -	\$ -	\$ 9,233,032	\$ 60,477	100	\$ 58,739	\$ 9,604,528	\$ -

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$9,233,032	\$9,233,032	\$83,799,763

Note 1: The accumulated investment amounts in Mainland China as of December 31, 2020 are US\$323,871 thousand and had been authorized by the Investment Commission, MOEA are US\$323,871 thousand.

Note 2: Earnings of investee, equity in the earnings and carrying value for the year ended December 31, 2020 have been audited by independent certified public accountants.

Note 3: Foreign currencies are translated to New Taiwan dollars with current rate of the date of balance sheet, only the gains or losses investments are translated with current period average rate.

Appendix II

Bank SinoPac

**Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholder
Bank SinoPac

Opinion

We have audited the accompanying financial statements of Bank SinoPac (“the Bank”), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020 and 2019 in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms and the guidelines issued by the authority.

Basis for Opinion

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

Key Audit Matters

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

The key audit matters of the Bank's financial statements for the year ended December 31, 2020 are stated as follows:

Estimated Impairment of Discounts and Loans

The management assesses, estimates and recognizes impairment of discounts and loans collectively at the higher amount determined according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans ("the Procedures") endorsed by the Financial Supervisory Commission (FSC) and according to International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). According to the Procedures, the management estimates impairment of discounts and loans based on the overdue loans classified by loan term and situation of pledged collateral. According to IFRS 9, impairment of discounts and loans is estimated based on assumptions of probability of default and loss given default based on historical experience, current market situation and forward-looking information. Assessment of evidence of probable default and credit impairment, whether the credit risk has increased significantly since the original recognition (including the adoption of forward-looking factors), and the assessment of the methodology and assumptions used for estimating impairment and the estimation of the amount and timing of future cash flows require critical judgments and estimates. The estimated provision for impairment of discounts and loans calculated according to either the Procedures or IFRS 9 has a significant impact on the financial statements. Therefore, the estimation of impairment of discounts and loans is identified as a key audit matter for the year ended December 31, 2020.

Refer to Notes 4, 5 and 45 to the accompanying financial statements for the relevant accounting policies, judgments for estimations, estimation uncertainty and other related disclosures of the estimated impairment of discounts and loans.

Our key audit procedures performed in respect of the above area included the following:

We understood and assessed management's impairment assessment practices, accounting policies and related internal control procedures for discounts and loans and evaluated whether the classification of loan assets complied with the Procedures. In addition, we evaluated whether overdue loans, situation of pledged collateral, and the provision for impairment of discounts and loans complied with the related regulation issued by the authorities. We also evaluated whether the methodology, assumptions and inputs used in the impairment assessment conform to the IFRS 9 impairment model and appropriately reflected the actual outcome. We tested samples of discounts and loans to verify their rationality.

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 Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms and the guidelines issued by the authority, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Mei-Hui Wu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2021

Notice to Readers

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

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

BANK SINOPAC

BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 41)	\$ 25,710,394	1	\$ 16,317,113	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7, 41 and 42)	130,918,668	7	135,429,776	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 41)	54,335,850	3	51,358,237	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9 and 41)	330,629,028	17	230,054,108	14
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 42)	162,368,434	8	137,940,760	8
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 11 and 41)	50,648,028	3	30,516,733	2
RECEIVABLES, NET (Notes 4, 12 and 41)	44,961,648	2	43,834,248	3
CURRENT INCOME TAX ASSETS (Notes 4, 30 and 41)	1,199,867	-	1,417,082	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 13, 41 and 42)	1,110,760,244	57	977,951,529	59
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Notes 4 and 14)	9,683,198	1	9,943,028	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 15, 41 and 42)	7,876,785	-	10,725,059	1
PROPERTY AND EQUIPMENT, NET (Notes 4, 16, 18 and 41)	9,387,072	1	9,091,773	-
RIGHT-OF-USE ASSETS, NET (Notes 4, 17 and 41)	2,192,274	-	2,173,603	-
INVESTMENT PROPERTY, NET (Notes 4 and 18)	1,047,154	-	1,083,638	-
INTANGIBLE ASSETS, NET (Notes 4, 19 and 41)	1,390,711	-	1,344,618	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 30)	1,344,263	-	1,323,002	-
OTHER ASSETS, NET (Notes 4, 20 and 41)	3,711,470	-	4,096,693	-
TOTAL	<u>\$ 1,948,165,088</u>	<u>100</u>	<u>\$ 1,664,601,000</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 21 and 41)	\$ 71,436,907	4	\$ 48,749,239	3
DUE TO THE CENTRAL BANK AND BANKS	80,380	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 41)	20,492,385	1	16,010,324	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10, 11, and 22)	3,701,323	-	8,226,792	1
PAYABLES (Notes 4, 23, 28 and 41)	15,158,565	1	14,537,271	1
CURRENT INCOME TAX LIABILITIES (Notes 4, 30 and 41)	441,804	-	882,095	-
DEPOSITS AND REMITTANCES (Notes 24 and 41)	1,630,234,293	84	1,369,484,236	82
BANK DEBENTURES (Notes 25 and 41)	45,078,282	2	33,019,751	2
OTHER FINANCIAL LIABILITIES (Note 26)	10,042,293	1	31,224,814	2
PROVISIONS (Notes 4, 27 and 28)	3,197,321	-	2,900,307	-
LEASE LIABILITIES (Notes 4, 17 and 41)	2,202,419	-	2,160,012	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 30)	753,951	-	812,957	-
OTHER LIABILITIES (Notes 29 and 41)	5,678,893	-	2,925,185	-
Total liabilities	<u>1,808,498,816</u>	<u>93</u>	<u>1,530,932,983</u>	<u>92</u>
EQUITY				
Capital stock				
Common stock	86,061,159	4	86,061,159	5
Capital surplus				
Additional paid-in capital in excess of par	4,001,872	-	4,001,872	-
Capital surplus from business combination	8,076,524	1	8,076,524	1
Others	69,244	-	69,244	-
Total capital surplus	12,147,640	1	12,147,640	1
Retained earnings				
Legal reserve	26,912,280	1	23,853,943	1
Special reserve	373,453	-	418,897	-
Unappropriated earnings	9,593,897	1	10,194,458	1
Total retained earnings	36,879,630	2	34,467,298	2
Other equity	4,577,843	-	991,920	-
Total equity	<u>139,666,272</u>	<u>7</u>	<u>133,668,017</u>	<u>8</u>
TOTAL	<u>\$ 1,948,165,088</u>	<u>100</u>	<u>\$ 1,664,601,000</u>	<u>100</u>

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

BANK SINOPAC

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME	\$ 27,908,264	103	\$ 30,223,678	114	(8)
INTEREST EXPENSES	<u>(11,557,730)</u>	<u>(43)</u>	<u>(15,965,732)</u>	<u>(60)</u>	(28)
NET INTEREST REVENUE (Notes 4, 32 and 41)	<u>16,350,534</u>	<u>60</u>	<u>14,257,946</u>	<u>54</u>	15
NET REVENUES OTHER THAN INTEREST (Note 4)					
Service fee income, net (Notes 33 and 41)	6,597,417	24	5,870,459	22	12
Gains on financial assets and liabilities at fair value through profit or loss, net (Notes 34 and 41)	1,544,013	6	4,242,450	16	(64)
Realized gains on financial assets at fair value through other comprehensive income (Notes 35 and 41)	1,130,132	4	616,148	2	83
Loss arising from derecognition of financial assets measured at amortized cost	(3,706)	-	(2,322)	-	60
Foreign exchange gains (losses)	1,566,200	6	759,724	3	106
(Impairment loss on assets) reversal of impairment loss on assets (Notes 5 and 15)	(500,368)	(2)	103,242	-	(585)
Share of profit of subsidiaries (Note 14)	62,095	-	139,058	1	(55)
Gain on disposal of subsidiary (Note 12)	207,310	1	327,628	1	(37)
Net other revenue other than interest income (Notes 36 and 41)	<u>181,859</u>	<u>1</u>	<u>237,247</u>	<u>1</u>	(23)
Net revenues other than interest	<u>10,784,952</u>	<u>40</u>	<u>12,293,634</u>	<u>46</u>	(12)
NET REVENUE	<u>27,135,486</u>	<u>100</u>	<u>26,551,580</u>	<u>100</u>	2
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 12, 13, 15 and 27)	<u>(2,212,194)</u>	<u>(8)</u>	<u>(1,004,258)</u>	<u>(4)</u>	120

(Continued)

BANK SINOPAC

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 28, 37 and 41)	\$ (8,397,674)	(31)	\$ (8,014,298)	(30)	5
Depreciation and amortization expense (Notes 4, 17, 38 and 41)	(1,308,635)	(5)	(1,228,324)	(5)	7
Others general and administrative expenses (Notes 39 and 41)	<u>(4,202,470)</u>	<u>(15)</u>	<u>(4,319,393)</u>	<u>(16)</u>	(3)
Total operating expenses	<u>(13,908,779)</u>	<u>(51)</u>	<u>(13,562,015)</u>	<u>(51)</u>	3
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX	11,014,513	41	11,985,307	45	(8)
INCOME TAX EXPENSE (Notes 4 and 30)	<u>(1,260,413)</u>	<u>(5)</u>	<u>(1,694,320)</u>	<u>(6)</u>	(26)
NET INCOME	<u>9,754,100</u>	<u>36</u>	<u>10,290,987</u>	<u>39</u>	(5)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	(209,415)	(1)	(120,661)	(1)	74
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income (Note 31)	1,037,082	4	279,244	1	271
Change in fair value of financial liability attributable to change in credit risk of liability (Note 31)	(14,301)	-	(60,206)	-	(76)
Income tax related to items that will not be reclassified to profit or loss (Notes 4, 30 and 31)	<u>41,883</u>	<u>-</u>	<u>24,132</u>	<u>-</u>	74
Items that will not be reclassified to profit or loss	<u>855,249</u>	<u>3</u>	<u>122,509</u>	<u>-</u>	598

(Continued)

BANK SINOPAC

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that will be reclassified to profit or loss					
Exchange differences on translation of foreign operations (Note 31)	\$ 110,208	1	\$ (341,716)	(1)	132
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Note 31)	(40,502)	-	51,675	-	(178)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (Note 31)	2,514,706	9	1,035,549	4	143
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4, 30 and 31)	<u>(13,941)</u>	<u>-</u>	<u>58,008</u>	<u>-</u>	(124)
Items that will be reclassified to profit or loss	<u>2,570,471</u>	<u>10</u>	<u>803,516</u>	<u>3</u>	220
Other comprehensive income	<u>3,425,720</u>	<u>13</u>	<u>926,025</u>	<u>3</u>	270
TOTAL COMPREHENSIVE INCOME	<u>\$ 13,179,820</u>	<u>49</u>	<u>\$ 11,217,012</u>	<u>42</u>	17
EARNINGS PER SHARE (Note 40)					
Basic	<u>\$ 1.13</u>		<u>\$ 1.20</u>		

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

(Concluded)

BANK SINOPAC

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Other Equity (Note 31)									
	Capital Stock (Note 31)			Retained Earnings (Note 31)			Exchange Differences on Translation of Foreign Operations			Total
	Common Stock	Capital Surplus (Note 31)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
BALANCE AT JANUARY 1, 2019	\$ 86,061,159	\$ 12,147,640	\$ 21,049,419	\$ 505,700	\$ 9,348,415	\$ 30,903,534	\$ (396,410)	\$ 373,612	\$ (7,836)	\$ (30,634)
Appropriation and distribution of retained earnings generated in 2018	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	2,804,524	-	(2,804,524)	-	-	-	-	-
Reversal of special reserve	-	-	-	(86,803)	86,803	-	-	-	-	-
Cash dividends - common stock	-	-	-	-	(6,630,694)	(6,630,694)	-	-	-	(6,630,694)
Net income for the year ended December 31, 2019	-	-	-	-	10,290,987	10,290,987	-	-	-	10,290,987
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	(96,529)	(96,529)	(273,601)	1,356,361	(60,206)	1,022,554
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	10,194,458	10,194,458	(273,601)	1,356,361	(60,206)	1,022,554
BALANCE AT DECEMBER 31, 2019	86,061,159	12,147,640	23,853,943	418,897	10,194,458	34,467,298	(670,011)	1,729,973	(68,042)	133,668,017
Appropriation and distribution of retained earnings generated in 2019	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	3,058,337	-	(3,058,337)	-	-	-	-	-
Reversal of special reserve	-	-	-	(45,444)	45,444	-	-	-	-	-
Cash dividends - common stock	-	-	-	-	(7,181,565)	(7,181,565)	-	-	-	(7,181,565)
Net income for the year ended December 31, 2020	-	-	-	-	9,754,100	9,754,100	-	-	-	9,754,100
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	(167,532)	(167,532)	87,847	3,519,706	(14,301)	3,593,252
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	9,586,568	9,586,568	87,847	3,519,706	(14,301)	13,179,820
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	7,329	7,329	-	(7,329)	-	-
BALANCE AT DECEMBER 31, 2020	\$ 86,061,159	\$ 12,147,640	\$ 26,912,280	\$ 373,453	\$ 9,593,897	\$ 36,879,630	\$ (582,164)	\$ 5,242,350	\$ (82,343)	\$ 4,577,843
										\$ 139,666,272

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

BANK SINOPAC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 11,014,513	\$ 11,985,307
Adjustments to reconcile profit:		
Depreciation expenses	1,124,289	1,072,958
Amortization expenses	184,346	155,366
Provision for bad debt expense	2,627,819	1,654,852
Interest expenses	11,557,730	15,965,732
Loss on disposal of financial assets at amortized cost	3,706	2,322
Interest income	(27,908,264)	(30,223,678)
Dividend income	(400,702)	(89,302)
Net change in provisions for guarantee liabilities	109,977	38,274
Net change in other provisions	89,191	(76,062)
Share of profit of subsidiaries	(62,095)	(139,058)
Losses on disposal and retirement of property and equipment	16,137	3,897
Property and equipment expense	5	-
Gain on disposal of investment properties	-	(64,973)
Gains on disposal of subsidiary	(207,310)	(327,628)
Impairment loss on financial assets	499,433	-
Reversal of impairment loss on financial assets	-	(103,242)
Impairment loss on non-financial assets	935	-
Net gains on changing in leasing contracts	(211)	(45)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(12,379,588)	(8,834,654)
Increase in financial assets at fair value through profit or loss	(2,977,613)	(2,290,333)
Increase in financial assets at fair value through other comprehensive income	(97,054,003)	(26,062,641)
Increase in investments in debt instruments at amortized cost	(24,433,545)	(44,402,606)
Decrease in securities purchased under resell agreements	298,565	211,504
(Increase) decrease in receivables	(488,934)	3,231,276
Increase in discounts and loans	(135,101,867)	(74,943,503)
Decrease in other financial assets	2,381,006	6,448,719
Decrease (increase) in other assets	123,862	(325,015)
Increase in deposits from the Central Bank and banks	22,687,668	14,232,750
Increase (decrease) in financial liabilities at fair value through profit or loss	4,467,760	(3,786,527)
Decrease in securities sold under repurchase agreements	(4,525,469)	(17,277,695)
Increase (decrease) in payables	637,356	(2,796,209)
Increase in deposits and remittances	260,750,057	188,847,515
(Decrease) increase in other financial liabilities	(21,182,521)	14,211,986
Increase (decrease) in provisions for employee benefits	98,425	(3,370)
Increase (decrease) in other liabilities	2,753,708	(121,864)
Net cash (used in) generated from operations	(5,295,634)	46,194,053
Interest received	28,152,083	30,386,557
Dividend received	398,729	114,908

(Continued)

BANK SINOPAC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Interest paid	\$ (12,602,322)	\$ (15,194,898)
Income tax paid	<u>(1,517,170)</u>	<u>(1,158,656)</u>
Net cash generated from operating activities	<u>9,135,686</u>	<u>60,341,964</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of subsidiary	207,310	327,628
Investments accounted for using the equity method for liquidation	423,998	867,737
Acquisition of property and equipment	(922,881)	(744,655)
Proceeds from disposal of property and equipment	187	168
Acquisition of intangible assets	(92,437)	(169,262)
Cash from combination	-	6,451
Acquisition of right-of-use assets	(96)	(251)
Acquisition of investment properties	(3,035)	(3,393)
Proceeds from disposal of investment properties	<u>-</u>	<u>97,099</u>
Net cash (used in) generated from investing activities	<u>(386,954)</u>	<u>381,522</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in funds borrowed from Central Bank and banks	80,380	-
Bank debentures issued	16,000,000	13,000,000
Repayment of bank debentures payable	(3,940,000)	(12,700,000)
Repayments of lease liabilities	(629,271)	(649,449)
Distribution of cash dividends	<u>(7,181,565)</u>	<u>(6,630,694)</u>
Net cash generated from (used in) financing activities	<u>4,329,544</u>	<u>(6,980,143)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(145,831)</u>	<u>(60,496)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,932,445	53,682,847
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>140,170,690</u>	<u>86,487,843</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 153,103,135</u>	<u>\$ 140,170,690</u>

(Continued)

BANK SINOPAC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the statement of cash flows with the equivalent items reported in the balance sheets as of December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents in balance sheets	\$ 25,710,394	\$ 16,317,113
Due from the Central Bank and call loans to banks reclassified as cash and cash equivalents under the definition of IAS 7	76,768,655	93,659,351
Securities purchased under resell agreements reclassified as cash and cash equivalents under the definition of IAS 7	<u>50,624,086</u>	<u>30,194,226</u>
Cash and cash equivalents at the end of year	<u>\$ 153,103,135</u>	<u>\$ 140,170,690</u>

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

(Concluded)

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

August 8, 1991	Bank SinoPac (“the Bank”) obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (SPS) to establish SinoPac Financial Holdings Company Limited (SPH), a financial holding company, resulting in the Bank becoming an unlisted wholly owned subsidiary of SPH, the ultimate parent company of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The board of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. (SinoPac Card). The transaction has been approved by the authorities on June 22, 2006 and the assets have been transferred at the book value of \$5,171,080 on August 4, 2006.
November 13, 2006	The preliminary effective date of the share swap and merger. The Bank acquired the assets and liabilities of IBT through a share swap at ratio of 1.175 shares of the Bank to swap for 1 share of IBT.
June 1, 2009	The Bank’s cash merger with SinoPac Card took effect, with this merger amounting to \$3,873,675. Under this merger, the Bank was the surviving entity.
November 1, 2015	The Bank assumed all of the assets and liabilities of the Ho Chi Minh City Branch of Far East National Bank and renamed this branch Bank SinoPac, Ho Chi Minh City Branch. The transaction price was US\$28,540 thousand.
May 1, 2019	SinoPac Call Center Co., Ltd. (SinoPac Call Center) which is a wholly-owned subsidiary of SPH was cash merged by the Bank. Under this merger, SinoPac Call Center was the dissolved company and the Bank was the surviving entity, assuming all business, assets, liabilities and all rights and obligations.
August 1, 2019	Due to permission, the Bank may also operate within the insurance industry. Then the board of directors of the Bank applied for the qualification to operate as an insurance agency and for the rights to merge SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd., which are both 100% shareholding subsidiaries of the Bank. The Bank is the surviving company, and the two subsidiaries were liquidated.

The Bank’s ultimate parent and controller is SinoPac Holdings, which holds 100% common stock of the Bank.

The functional currency of the Bank is the New Taiwan dollar. The financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank's board of directors on March 12, 2021.

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

- a. The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC) for application starting from 2021.

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

As of the date the financial statements were authorized for issue, the Bank assessed that the application of the abovementioned standards and interpretations will have no material impact on the Bank's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

The Bank assessed that the abovementioned amendments are not expected to have material impact on the Bank's accounting policies. As of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms and the guidelines issued by the authority.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, payable for cash-settled share-based payment transaction and net defined benefit liability which is stated at the present value of defined benefit obligation less fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its financial statements, the Bank used equity method to account for its investment in subsidiaries and associate or joint venture. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Bank in its consolidated financial statements, adjustments arising from the differences in accounting treatment between consolidated and nonconsolidated bases were made to

equity investment - equity method and associate or joint venture, share of profit or loss of subsidiaries and share of other comprehensive income of subsidiaries and related equity items and associate or joint venture, as appropriate, in the financial statements.

The accompanying financial statements include the accounts of the Head Office, OBU, all branches and the representative office. All interoffice transactions and balances have been eliminated.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the Banking industry cannot be reasonably identified, the accounts included in the Bank's financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 45 for the maturity analysis of assets and liabilities.

Foreign Currencies

a. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

b. Exchange differences on translation of the financial statements of foreign operations

For the purposes of presenting financial statements, the assets and liabilities of the Bank's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (a disposal of the Bank's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Bank losing control over the subsidiary, the Bank re-attributes the proportionate share of accumulated exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation, and profit or loss is not recognized. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Cash and Cash Equivalents

Cash and cash equivalent in financial statements includes cash on hand, demand deposits and investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. For the purposes of presenting cash flows, the cash and cash equivalent includes cash and cash equivalents in balance sheets, due from the Central Bank and call loans to banks and securities purchased under resell agreements under IAS 7.

Investment Accounted for Using the Equity Method

The Bank uses the equity method of accounting on investment of subsidiaries.

The subsidiaries are the entities controlled by the Bank.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Bank also recognizes the Bank's share of the change in other equity of the subsidiary.

When the Bank's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Bank's net investment in the subsidiary), the Bank continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and side stream transactions between subsidiaries are recognized in the financial statements only to the extent of interests in the subsidiary that are not related to the Bank.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Business combinations involving entities under common control are not accounted for using the acquisition method but are accounted for at the carrying amounts of the entities. Comparative information of the prior period in the consolidated financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

The Bank merged with SinoPac Call Center Co., Ltd., SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. The merger was essentially an organizational restructuring, based on the IFRS Q&A on "Business Combination of Enterprises under Common Control" issued by the Accounting Research and Development Foundation of the Republic of China. In consideration of consolidation accounting concerns and materiality, the merger of SinoPac Life Insurance Agent Co., Ltd. was treated as if it had occurred at the beginning of the period (refer to Note 50).

Financial Instruments

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

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

Financial assets

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

a. Measurement category

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

1) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria. A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 44.

2) Financial assets at amortized cost

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

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

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

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

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

3) Investments in debt instruments at FVTOCI

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

The Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI.

The Bank always recognizes lifetime Expected Credit Loss (ECL) for receivables. For all other financial instruments, the Bank recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (the Regulations), the Bank evaluates credit losses on the basis of the estimated collectability of loans. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard credit quality, assets with doubtful collectability, and assets on which there is loss. The Bank evaluates the value of collaterals of specified loans and assesses recoverability of non-performing loans. These will be written off after approved by the board of directors when evaluated as unrecoverable.

Based on the above Regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against the ROC government agencies that require special mentioned, assets that are substandard, assets with doubtful collectability, and assets on which there is loss were 1%, 2%, 10%, 50% and 100%, respectively of outstanding. In addition, under the Financial Supervisory Commission (FSC) Official Letter No. 10010006830, there should be a provision at more than 1% of the sum of the minimum allowance for credit losses and the provision for losses on guarantees.

For enhanced risk management of banks, the FSC issued Official Letter No. 10300329440, which requires domestic banks to allocate an allowance of at least 1.5% of repair loans and construction loans. In addition, under the FSC Official Letter No. 10410001840, Category 1 credits granted to enterprises in the China region should be covered by an allowance of at least 1.5% of the balance of these credits.

c. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt instrument at FVTOCI in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of an equity instrument at FVTOCI in its entirety, cumulative gain or loss is transferred directly to retained earnings instead of reclassifying as profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Equity and debt instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 44.

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

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or
- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Bank, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit loss or the amount initially recognized less accumulated amortization.

b. Derecognition of financial liabilities

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

Derivative Financial Instruments

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

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in hybrid contracts that contain hosts which are not assets (e.g. financial liabilities) within the scope of IFRS 9 shall be separated from the host and accounted for as a derivative under IFRS 9 if, and only if, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host. Alternatively, the entire hybrid instrument is designated as a derivative instrument included in financial liabilities at fair value through profit or loss upon initial recognition, and no separate accounting is required.

Repurchase and Reverse Repurchase Transactions

Securities purchased under resell (reverse repurchase) agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Property and Equipment

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

Depreciation on property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment Properties

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

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

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

Leases

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

a. The Bank as lessor

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Bank's net investment outstanding in respect of leases.

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

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

b. The Bank as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Bank accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Goodwill

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

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

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

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

Provisions

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Preferential interest on employees' deposits

The Bank offers preferential interest rate to its current employees for their deposits within a prescribed amount.

Under Article 28 of the Regulation Governing the Preparation of Financial Reports by Public Bank, if the Bank's preferential deposit interest rate for as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employee's retirement. The actuarial valuation assumptions and parameters are based on those announced by authority, if any.

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Bank can no longer withdraw the offer of the termination benefit and when the Bank recognizes any related restructuring costs.

Cash-settled Share-based Payment Transaction

For cash-settled share-based payments, a liability is recognized for the services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

Revenue Recognition

a. Interest income and expense

Except for financial assets and liabilities at fair value through profit or loss, interest income and interest expense of all financial instruments are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, and recognized in the statements of comprehensive income.

Transaction costs and all other premium or discounts associated with the loans and receivables are adjusted to the carrying amount of the loans and receivables. The calculation of effective interest rate includes transaction costs and all other premium or discounts paid or received by the Bank that is an integral part of the effective interest rate.

Interest should not be accrued for loans that are transferred to non-performing loans. The interest revenue on those loans/credits is recognized upon collection.

Under Ministry of Finance (MOF) regulations, the interest revenue on structured loans is recognized upon collection.

Interest income on revolving credit card receivables and cash advance is recognized on an accrual basis.

b. Commission revenue

Commission fee revenue and expenses are recognized when loans or other services are provided. Service fees on significant projects are recognized when the project has been completed, for instance, loans syndicated fees are recognized over the period during which the service is performed, or as an adjustment to the effective interest rate on the loan and receivables.

Annual fee income is the membership fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; an allowance is estimated using past experience and is recognized as a deduction from annual fee income within the year the annual fee income is recognized.

Revenue from rendering services is recognized at the amount corresponding to the percentage of services completed as of the balance sheet date.

c. Dividend income

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

Income Tax

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

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

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences, unused loss carryforward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current tax and deferred tax for the period

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

d. Linked-tax system

SPH and its qualified subsidiaries adopted the linked-tax system. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation and SPH with its qualified subsidiaries are adjusted on SPH; related amounts are recognized as current tax assets or current tax liabilities.

The accounting principle of the effect of tax rate amendment are the same as transactions with tax consequences. They are recognized as profit or loss, other comprehensive income or equity when they occurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Estimated Impairment of Discounts and Loans

According to the Procedures, for estimate of impairment of discounts and loans, the Bank makes judgment to classify loan asset and evaluate credit losses based on the information of loan term and situation of pledged collateral value and financial position of debtor.

The Bank also makes assumptions about probability of default and loss given default. In making these assumptions and in selecting the inputs to the impairment calculation, the Bank uses judgment based on past history, existing market conditions, forward-looking estimates, as well as the economic effects of Covid-19. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 7,098,626	\$ 7,101,120
Due from other banks	17,311,927	8,017,978
Notes and checks for clearing	<u>1,299,841</u>	<u>1,198,015</u>
	<u>\$ 25,710,394</u>	<u>\$ 16,317,113</u>

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

	December 31	
	2020	2019
Call loans to banks	\$ 57,245,765	\$ 80,059,464
Trade finance advance - interbank	5,537,442	2,161,559
Deposit reserve - checking accounts	28,094,216	20,432,055
Due from the Central Bank - interbank settlement funds	4,000,139	2,511,849
Deposit reserve - demand accounts	35,613,480	29,888,447
Deposit reserve - foreign currencies	<u>427,626</u>	<u>376,402</u>
	<u>\$ 130,918,668</u>	<u>\$ 135,429,776</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserves are determined monthly at prescribed rates based on average balances of customers' NTD-denominated deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates based on the balances of foreign-currency deposits. These reserves can be withdrawn momentarily anytime at no interest.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Financial assets mandatorily classified as at fair value through profit or loss		
Government bonds	\$ 26,528,505	\$ 35,641,996
Commercial paper	2,348,878	-
Certificates of deposits purchased	1,998,231	2,391,984
Corporate bonds	1,410,892	332,424
Bank debentures	312,118	622,689
Listed common stock	68,765	-
Currency swap contracts	12,055,670	6,667,223
Interest rate swap contracts	4,506,468	2,951,725
Forward contracts	1,113,977	784,040
Option contracts	970,538	1,048,582
Hybrid FX swap structured instruments	270,401	591,299
Others	95,819	326,275
	<u>51,680,262</u>	<u>51,358,237</u>
Financial assets designated at fair value through profit or loss		
Corporate bonds	1,378,097	-
Government bonds	1,277,491	-
	<u>2,655,588</u>	<u>-</u>
	<u>\$ 54,335,850</u>	<u>\$ 51,358,237</u>
Held-for-trading financial liabilities		
Currency swap contracts	\$ 13,263,535	\$ 7,356,566
Interest rate swap contracts	2,920,250	3,341,090
Option contracts	1,151,053	2,125,043
Forward contracts	1,125,751	780,686
Hybrid FX swap structured instruments	270,239	590,945
Others	240,788	279,375
	<u>18,971,616</u>	<u>14,473,705</u>
Financial liabilities designated at fair value through profit or loss		
Bank debentures	1,520,769	1,536,619
	<u>1,520,769</u>	<u>1,536,619</u>
	<u>\$ 20,492,385</u>	<u>\$ 16,010,324</u>

- a. The Bank designated to avoid interest risk of assets as financial assets at FVTPL originally held by taking the contractual cash flow and selling financial assets to achieve the business model and to eliminate accounting inconsistencies as financial liabilities at FVTPL.

- b. Information on financial liabilities designated at fair value through profit or loss were as follows:

	December 31	
	2020	2019
Difference between carrying amount and the amount due on maturity		
Fair value	\$ 1,520,769	\$ 1,536,619
Amount due on maturity	<u>(1,598,698)</u>	<u>(1,688,638)</u>
	<u>\$ (77,929)</u>	<u>\$ (152,019)</u>
		Changes in Fair Value Attributable to Changes in Credit Risk
Change in amount during the year		
For the year ended December 31, 2020		<u>\$ (14,301)</u>
For the year ended December 31, 2019		<u>\$ (60,206)</u>
Accumulated amount of change		
As of December 31, 2020		<u>\$ (82,343)</u>
As of December 31, 2019		<u>\$ (68,042)</u>

The change in fair value attributable to changes in credit risk recognized as other comprehensive income was calculated as the difference between the total change in fair value of bank debentures and the change in fair value due to the change in market risk factors. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding the credit risk margin constant and interest rates swap volatility surface. The fair value of bank debentures was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and credit risk margin is estimated by obtaining credit default swap spread of the company with similar credit rating.

On May 19, 2017, the Bank issued unsecured senior bank debentures amounting to US\$45,000 thousand with a 30-year maturity and 0% coupon issued and an implicit internal of return of 4.5%. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date, or make bond repayments on the maturity date.

- c. The Bank engages in derivative transactions mainly to accommodate customers' needs and manage its own exposure positions. Outstanding derivative contracts (nominal) on December 31, 2020 and 2019 were as follows:

	Contract Amount	
	December 31	
	2020	2019
Currency swap contracts	\$ 931,853,339	\$ 1,234,788,205
Interest rate swap contracts	721,871,769	847,986,496
Forward contracts	83,210,439	109,640,501
Option contracts	29,405,641	54,566,050
Futures contracts	11,458,846	11,076,387
Hybrid FX swap structured instruments	7,520,729	9,751,822
Cross-currency swap contracts	7,107,380	10,737,880
Assets swap contracts	889,701	231,900
Commodity-linked swap contracts	648,263	684,733
Equity-linked swap contracts	254,295	48,180

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Equity instruments at fair value through other comprehensive income	\$ 11,577,644	\$ 2,218,151
Debt instruments at fair value through other comprehensive income	<u>319,051,384</u>	<u>227,835,957</u>
	<u>\$ 330,629,028</u>	<u>\$ 230,054,108</u>

a. Equity instruments at fair value through other comprehensive income

	December 31	
	2020	2019
Listed common stock	\$ 9,219,153	\$ -
Unlisted common stock	1,200,430	1,193,151
Real estate investment trust beneficiary securities	<u>1,158,061</u>	<u>1,025,000</u>
	<u>\$ 11,577,644</u>	<u>\$ 2,218,151</u>

The Bank holds equity instruments for the purpose of long-term strategic investment, for earning stable income and for increasing the rate of return of investment portfolio, but not for the purpose of trading; therefore, the equity instruments are designated as at fair value through other comprehensive income.

The Bank sold part of the investments for the purpose of rewards and risks management for the year ended December 31, 2020, the fair value of the sold of investments was \$2,452,982 at the date of derecognition, and the disposal loss was \$15,197. An investee reduced its capital and returned the share payment of \$100,230, due to the return of investment, the Bank recognized gain of \$22,526 in the first quarter of 2020. The gain was transferred from other equity to retained earnings.

b. Debt instruments at fair value through other comprehensive income

	December 31	
	2020	2019
Certificates of deposits purchased	\$ 124,939,594	\$ 94,954,558
Bank debentures	74,123,703	48,497,464
Commercial papers	55,036,188	53,409,332
Corporate bonds	41,548,630	23,227,994
Government bonds	17,757,955	7,261,325
Others	<u>5,645,314</u>	<u>485,284</u>
	<u>\$ 319,051,384</u>	<u>\$ 227,835,957</u>

- 1) Loss allowance of debt instruments at fair value through other comprehensive income were \$61,030 and \$33,173 on December 31, 2020 and 2019, respectively. Credit risk management and information of impairment valuation of debt instruments at FVTOCI are shown in Note 45.
- 2) As of December 31, 2020 and 2019, the par value of debt instruments at FVTOCI under repurchase agreement were \$1,044,255 and \$3,939,215, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2020	2019
Government bonds	\$ 55,013,400	\$ 60,819,177
Certificates of deposits purchased	49,812,542	45,115,561
Bank debentures	29,438,199	22,590,903
Asset-based securities	15,356,937	-
Corporate bonds	11,296,477	9,423,153
Others	<u>1,462,770</u>	<u>-</u>
	162,380,325	137,948,794
Less: Loss allowance	<u>(11,891)</u>	<u>(8,034)</u>
Net Amount	<u>\$ 162,368,434</u>	<u>\$ 137,940,760</u>

- Credit risk management and information of impairment valuation of investments in debt instruments at amortized cost are shown in Note 45.
- Please refer to Note 42 for information relating to investments in debt instruments at amortized cost pledged as security.
- As of December 31, 2020 and 2019, the par value of investments in debt instruments at amortized cost under repurchase agreements were \$230,200 and \$1,340,761, respectively.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2020	2019
Commercial papers	\$ 42,403,035	\$ 20,524,698
Negotiable certificates of deposits	2,947,256	-
Corporate bonds	2,158,178	2,121,952
Bank debentures	2,085,123	3,885,474
Government bonds	<u>1,054,436</u>	<u>3,984,609</u>
	<u>\$ 50,648,028</u>	<u>\$ 30,516,733</u>
Agreed-upon resell amount	\$ 50,660,005	\$ 30,557,291
Par value	51,210,199	31,376,893
Expiry	April 2021	March 2020

As of December 31, 2020 and 2019, the par value of securities purchased under resell agreements under repurchase agreements were \$2,356,271 and \$3,011,220, respectively.

12. RECEIVABLES, NET

	December 31	
	2020	2019
Credit card receivable	\$ 19,109,830	\$ 18,238,445
Accounts receivable - factoring	10,364,469	12,020,244
Accounts receivable - forfaiting	6,896,929	5,194,838
Interest and revenue receivables	4,023,231	4,043,970
Acceptances	1,820,743	741,435
Accounts and notes receivables	1,398,328	2,344,397
Trust administration fee revenue receivable	678,791	704,502
Accounts receivable - disposal of subsidiary	-	211,720
Others	<u>1,377,164</u>	<u>1,057,616</u>
	45,669,485	44,557,167
Less: Allowance for credit losses	(707,809)	(722,896)
Less: Premium or discount on receivables	<u>(28)</u>	<u>(23)</u>
Net amount	<u>\$ 44,961,648</u>	<u>\$ 43,834,248</u>

The Bank assessed the collectability of receivables to determine the allowance. Movements in the allowance of receivables were as follows:

	For the Year Ended December 31	
	2020	2019
Balance, January 1	\$ 722,896	\$ 800,121
Provision	206,521	67,180
Write-off	(214,083)	(135,725)
Effect of exchange rate changes	<u>(7,525)</u>	<u>(8,680)</u>
Balance, December 31	<u>\$ 707,809</u>	<u>\$ 722,896</u>

Please refer to Note 45 for the analysis of receivable impairment loss. The Bank received payments for loans previously written-off \$197,191 and \$174,531 for the years ended December 31, 2020 and 2019, respectively, which were recognized as deduction of provision expenses.

The board of directors of the Bank has resolved to sell 100% equity of SinoPac Bancorp to Cathay General Bancorp on July 8, 2016. The case was approved by the FSC on July 6, 2017, and the settlement was completed on July 14, 2017 (US time). According to the agreement, the total transaction price is US\$351,551 thousand, and the buyer will pay 10% of the total transaction price by issuing 926,192 shares of stock. The Bank has already disposed all the stock. As for the payment schedule of US\$100,000 thousand out of total transaction price in the contract (the payment date should not be later than one year after the settlement date), the US\$100,000 thousand was fully received in November 2017. Besides, according to the stock purchase agreement, the buyer reserved 10% of the transaction price (US\$35,155 thousand, listed by the Bank in accounts receivable - disposal of subsidiary) as compensation in the event the Bank breaches the contract. The buyer will repay the amount plus interest within three years after the settlement date. The 50%, 30% and 20% (US\$17,578 thousand, US\$10,546 thousand and US\$7,031 thousand) of above compensation price had been received in July 2018, 2019 and 2020, respectively, and the Bank recognized the gain on disposal of the subsidiary amounted to \$537,205, \$327,628 and \$207,310. The case recognized cumulative the net gain on disposal of the subsidiary amounted to \$414,242.

13. DISCOUNTS AND LOANS, NET

	December 31	
	2020	2019
Export negotiation	\$ 632,471	\$ 621,243
Secured overdrafts	45,108	62,122
Accounts receivable - financing	1,578,112	1,129,339
Short-term loans	113,411,134	118,058,627
Secured short-term loans	104,290,489	104,262,790
Medium-term loans	261,139,700	185,245,716
Secured medium-term loans	130,540,237	90,584,480
Long-term loans	8,362,312	7,950,508
Secured long-term loans	504,873,231	482,338,483
Non-performing loans transferred from loans	<u>948,785</u>	<u>1,631,164</u>
	1,125,821,579	991,884,472
Less: Allowance for credit losses	(14,607,419)	(13,512,646)
Less: Premium or discount on discounts and loans	<u>(453,916)</u>	<u>(420,297)</u>
Net amount	<u>\$ 1,110,760,244</u>	<u>\$ 977,951,529</u>

Please refer to Note 45 for the analysis of impairment loss on discounts and loans, and Note 42 for information relating to discounts and loans pledged as security.

The Bank assessed the collectability of discounts and loans to determine the required allowance. Movements in the allowance of discounts and loans were as follows:

	For the Year Ended December 31	
	2020	2019
Balance, January 1	\$ 13,512,646	\$ 12,765,901
Provision	2,418,248	1,652,607
Write-off	(1,196,231)	(857,886)
Effect of exchange rate changes	<u>(127,244)</u>	<u>(47,976)</u>
Balance, December 31	<u>\$ 14,607,419</u>	<u>\$ 13,512,646</u>

The Bank received payments for loans previously written-off \$403,124 and \$425,832 for the years ended December 31, 2020 and 2019, respectively, which were recognized as deduction of provision expenses.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries - unlisted companies		
Bank SinoPac (China) Ltd.	\$ 9,604,528	\$ 9,452,558
SinoPac Insurance Brokers Ltd.	78,670	78,565
SinoPac Capital Limited	<u>-</u>	<u>411,905</u>
	<u>\$ 9,683,198</u>	<u>\$ 9,943,028</u>

As of the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Bank were all 100%.

SinoPac Capital Limited completed liquidation in November 2020.

Due to permission, the Bank may also operate within the insurance industry. On August 1, 2019, the board of directors of the Bank applied for the qualification to operate as an insurance agency and for the rights to merge 100% shareholding of SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd., which are both subsidiaries of the Bank. After the merger, the Bank is the surviving company, and the two subsidiaries will be liquidated, and hence the Bank can achieve the integration of resources, reduced operating costs and improved operational efficiency.

The Bank's share of profit and other comprehensive income of subsidiaries for the years ended December 31, 2020 and 2019 were based on the subsidiaries' financial statements audited by the auditors for the same periods. The share of profit of subsidiaries for using equity method were as follows:

	For the Year Ended December 31	
	2020	2019
Bank SinoPac (China) Ltd.	\$ 58,739	\$ 106,767
SinoPac Insurance Brokers Ltd.	4,123	14,884
SinoPac Capital Limited	(767)	1,615
SinoPac Property Insurance Agent Co., Ltd.	<u>-</u>	<u>15,792</u>
	<u>\$ 62,095</u>	<u>\$ 139,058</u>

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2020	2019
Time deposits not belonging to cash and cash equivalent	\$ 5,917,374	\$ 8,212,560
Purchase of the PEM Group's instruments	4,177,027	4,387,361
Non-performing receivables transferred from other than loans	-	3,886
Others	<u>40,509</u>	<u>38,595</u>
	10,134,910	12,642,402
Less: Allowance for credit loss	(1,681)	(5,828)
Less: Accumulated impairment	<u>(2,256,444)</u>	<u>(1,911,515)</u>
Net amount	<u>\$ 7,876,785</u>	<u>\$ 10,725,059</u>

Above time deposits not belonging to cash and cash equivalent included time deposits over three months; pledged and no advance termination time deposits.

Please refer to Note 42 for information relating to other financial assets pledged as security.

The Bank was delegated by professional investors to sell the PEM Group's investment products amounting to US\$146,000 thousand through private placement. A U.S. Federal Court appointed a receiver for all assets that belonged to, were being managed by, or were in the possession of or control of the PEM Group. To protect the client's interests, the Bank bought back the products at the price of the initial payment net of the distribution and redemption costs. On December 24, 2010, the Bank's board of directors resolved to abide by a court's appointment of a PEM Group receiver to take the PEM Group's insurance policies at the price of approximately US\$40.4 million, and the Bank thus recognized impairment losses of US\$11,152 thousand. On March 7, 2011, the receiver transferred a portion of the insurance policies to a trustee established jointly by certain banks to hold insurance policies. And the Bank had submitted to the authorities the results of this policy transfer. As of December 31, 2020, a reserve of US\$79,150 thousand (NT\$2,256,444) had been set aside to cover the accumulated impairment losses. The Bank recognized

impairment loss of \$464,249 and gain on reversal of impairment loss of \$115,124 for PEM Group for the years ended December 31, 2020 and 2019.

The Bank assessed the collectability of other financial assets to determine the required allowance. Movements in the allowance of other financial assets were as follows:

	For the Year Ended December 31	
	2020	2019
Balance, January 1	\$ 5,828	\$ 96,574
Provision (reversal of)	3,050	(64,400)
Write-off	(7,166)	(26,327)
Effect of exchange rate changes	<u>(31)</u>	<u>(19)</u>
Balance, December 31	<u>\$ 1,681</u>	<u>\$ 5,828</u>

The Bank received payments for loans previously written-off \$17,871 and \$13,079 for the years ended December 31, 2020 and 2019, respectively, which were recognized as deduction of provision expenses.

16. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the years ended December 31, 2020 and 2019 are summarized as follows:

	For the Year Ended December 31, 2020							
	Land and Land Improvement	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>								
Balance, January 1	\$ 5,578,961	\$ 5,362,991	\$ 2,008,384	\$ 1,160	\$ 1,404,031	\$ 1,469,412	\$ 353,377	\$ 16,178,316
Addition	-	60,359	343,764	-	123,170	24,983	370,605	922,881
Deduction	-	(3,000)	(490,132)	-	(77,918)	(78,117)	-	(649,167)
Reclassifications	19,520	67,382	251,305	-	35,750	56,364	(523,820)	(93,499)
Effect of exchange rate changes	-	-	(8,223)	(57)	(1,387)	(3,596)	(151)	(13,414)
Balance, December 31	<u>5,598,481</u>	<u>5,487,732</u>	<u>2,105,098</u>	<u>1,103</u>	<u>1,483,646</u>	<u>1,469,046</u>	<u>200,011</u>	<u>16,345,117</u>
<u>Accumulated depreciation</u>								
Balance, January 1	14	3,168,895	1,468,031	1,160	1,141,813	1,306,630	-	7,086,543
Depreciation	23	123,642	233,562	-	80,022	63,004	-	500,253
Deduction	-	(2,908)	(476,414)	-	(76,830)	(76,699)	-	(632,851)
Reclassifications	-	16,932	-	-	4,833	(4,833)	-	16,932
Effect of exchange rate changes	-	-	(7,845)	(57)	(1,355)	(3,575)	-	(12,832)
Balance, December 31	<u>37</u>	<u>3,306,561</u>	<u>1,217,334</u>	<u>1,103</u>	<u>1,148,483</u>	<u>1,284,527</u>	<u>-</u>	<u>6,958,045</u>
<u>Net amount</u>								
Balance, December 31	<u>\$ 5,598,444</u>	<u>\$ 2,181,171</u>	<u>\$ 887,764</u>	<u>\$ -</u>	<u>\$ 335,163</u>	<u>\$ 184,519</u>	<u>\$ 200,011</u>	<u>\$ 9,387,072</u>

	For the Year Ended December 31, 2019							
	Land and Land Improvement	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>								
Balance, January 1	\$ 5,520,045	\$ 5,178,764	\$ 1,795,858	\$ 1,177	\$ 1,405,895	\$ 1,544,610	\$ 94,214	\$ 15,540,563
Adjustment on initial application of IFRS 16	-	-	-	-	-	(82,963)	-	(82,963)
Balance, January 1 as restated	5,520,045	5,178,764	1,795,858	1,177	1,405,895	1,461,647	94,214	15,457,600
Addition	290	21,679	286,165	-	39,296	14,478	375,430	737,338
Deduction	-	-	(90,296)	-	(56,554)	(8,996)	-	(155,846)
Reclassifications	58,626	160,932	5,237	-	1,893	3,430	(116,271)	113,847
Effect of exchange rate changes	-	-	(2,584)	(17)	(443)	(1,147)	4	(4,187)
Other (Note)	-	1,616	14,004	-	13,944	-	-	29,564
Balance, December 31	<u>5,578,961</u>	<u>5,362,991</u>	<u>2,008,384</u>	<u>1,160</u>	<u>1,404,031</u>	<u>1,469,412</u>	<u>353,377</u>	<u>16,178,316</u>

(Continued)

For the Year Ended December 31, 2019								
	Land and Land Improvement	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Accumulated depreciation</u>								
Balance, January 1	\$ -	\$ 2,960,608	\$ 1,385,395	\$ 1,177	\$ 1,113,061	\$ 1,323,987	\$ -	\$ 6,784,228
Adjustment on initial application of IFRS 16	-	-	-	-	-	(69,670)	-	(69,670)
Balance, January 1 as restated	-	2,960,608	1,385,395	1,177	1,113,061	1,254,317	-	6,714,558
Depreciation	14	114,701	162,749	-	73,989	64,754	-	416,207
Deduction	-	-	(87,265)	-	(55,712)	(8,928)	-	(151,905)
Reclassifications	-	92,818	199	-	(199)	(2,378)	-	90,440
Effect of exchange rate changes	-	-	(2,500)	(17)	(436)	(1,135)	-	(4,088)
Other (Note)	-	768	9,453	-	11,110	-	-	21,331
Balance, December 31	14	3,168,895	1,468,031	1,160	1,141,813	1,306,630	-	7,086,543
<u>Net amount</u>								
Balance, December 31	\$ 5,578,947	\$ 2,194,096	\$ 540,353	\$ -	\$ 262,218	\$ 162,782	\$ 353,377	\$ 9,091,773

(Concluded)

Note: These are assets, liabilities and operations acquired from SinoPac Call Center and SinoPac Property Insurance Agent through merger.

The above property and equipment are depreciated at the following estimated useful lives:

Items	Years
Land improvements	8-30 years
Buildings	2-60 years
Machinery and computer equipment	0.58-15 years
Transportation equipment	5 years
Other equipment	2-15 years
Leasehold improvements	2.17-15 years

The Bank rent other equipment to others. On December 31, 2020 and 2019, the amount of the equipment was \$2,046 and \$2,617, respectively.

17. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	December 31	
	2020	2019
<u>Carrying amount</u>		
Land	\$ 1,137	\$ 2,717
Buildings	2,160,675	2,123,066
Machinery and computer equipment	4,193	28,074
Transportation equipment	12,960	9,487
Other equipment	604	238
Decommissioning restoration costs	12,705	10,021
	<u>\$ 2,192,274</u>	<u>\$ 2,173,603</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	\$ 664,344	\$ 1,173,129
Depreciation charge for right-of-use assets		
Land	\$ 1,488	\$ 1,578
Buildings	570,583	598,388
Machinery and computer equipment	26,295	26,257
Transportation equipment	9,914	10,016
Other equipment	342	589
Decommissioning restoration costs	3,719	4,641
	<u>\$ 612,341</u>	<u>\$ 641,469</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount	\$ 2,202,419	\$ 2,160,012

Range of discount rates for lease liabilities was as follows:

	December 31	
	2020	2019
Land	0.7357%-2.6329%	0.7357%-4.8096%
Buildings	0.1553%-4.8096%	0.5609%-4.8096%
Machinery and computer equipment	0.7357%-1.0768%	0.7357%-1.7936%
Transportation equipment	0.5698%-5.5000%	0.5609%-5.5000%
Other equipment	0.3410%-0.8686%	0.5609%-0.7357%

c. Material lease-in activities and terms

The Bank leases certain buildings for use as business locations and offices with lease terms of 1 year to 20 years. The lease contract for major buildings located in Taiwan for use as offices and branches specifies that lease payments will be adjusted 1% every three years. The lease contract for major buildings located in overseas branches stipulated fixed or regularly adjusted proportionally lease payments. The Bank does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

- 1) Lease arrangements under operating leases for the leasing out of investment properties and equipment are set out in Notes 16, 18 and 45.

2) Other

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 11,819	\$ 19,797
Expenses relating to low-value asset leases	\$ 37,427	\$ 30,228
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 8,931	\$ 7,080
Total cash outflow for leases	\$ (705,520)	\$ (725,097)

Recognition exemption is applied to short-term leases of various types of assets such as other equipment which qualify as low-value asset leases. The Bank has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

18. INVESTMENT PROPERTY, NET

The movements of investment property are summarized as follows:

	For the Year Ended December 31, 2020		
	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1	\$ 795,615	\$ 615,081	\$ 1,410,696
Addition	-	3,035	3,035
Deduction	-	(261)	(261)
Reclassifications	(19,520)	(25,228)	(44,748)
Balance, December 31	<u>776,095</u>	<u>592,627</u>	<u>1,368,722</u>

Accumulated depreciation

Balance, January 1	-	327,058	327,058
Depreciation	-	11,695	11,695
Deduction	-	(253)	(253)
Reclassifications	-	(16,932)	(16,932)
Balance, December 31	<u>-</u>	<u>321,568</u>	<u>321,568</u>

Net amount

Balance, December 31	<u>\$ 776,095</u>	<u>\$ 271,059</u>	<u>\$ 1,047,154</u>
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	For the Year Ended December 31, 2019		
	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1	\$ 858,377	\$ 802,593	\$ 1,660,970
Addition	-	3,393	3,393
Deduction	(4,136)	(37,056)	(41,192)
Reclassifications	(58,626)	(153,849)	(212,475)
Balance, December 31	<u>795,615</u>	<u>615,081</u>	<u>1,410,696</u>

(Continued)

	For the Year Ended December 31, 2019		
	Land	Buildings	Total
<u>Accumulated depreciation</u>			
Balance, January 1	-	411,158	411,158
Depreciation	-	15,282	15,282
Deduction	-	(8,942)	(8,942)
Reclassifications	-	(90,440)	(90,440)
Balance, December 31	-	<u>327,058</u>	<u>327,058</u>
<u>Net amount</u>			
Balance, December 31	<u>\$ 795,615</u>	<u>\$ 288,023</u>	<u>\$ 1,083,638</u> (Concluded)

The above investment properties are depreciated at the following estimated useful lives:

<u>Category</u>	<u>Useful Lives</u>
Buildings	8-60 years

The above investment property of the Bank is for the purpose of earning rental income or capital appreciation or both. The fair values of investment properties used mainly or partially for leasing as of December 31, 2020 and 2019 were \$15,259,452 and \$16,536,599, respectively. The fair values, which were based on an internal valuation report instead of an assessment by an independent professional appraiser, were determined assuming unobservable inputs (Level 3).

19. INTANGIBLE ASSETS, NET

	December 31	
	2020	2019
Goodwill	\$ 876,717	\$ 876,717
Computer software	<u>513,994</u>	<u>467,901</u>
	<u>\$ 1,390,711</u>	<u>\$ 1,344,618</u>

Movements in the Bank's intangible assets were as follows:

	Goodwill	Computer Software	Total
<u>2020</u>			
Balance, January 1	\$ 876,717	\$ 467,901	\$ 1,344,618
Addition	-	92,437	92,437
Amortization	-	(184,346)	(184,346)
Reclassifications	-	138,242	138,242
Effect of exchange rate changes	-	(240)	(240)
Balance, December 31	<u>\$ 876,717</u>	<u>\$ 513,994</u>	<u>\$ 1,390,711</u> (Continued)

	Goodwill	Computer Software	Total
<u>2019</u>			
Balance, January 1	\$ 876,717	\$ 354,637	\$ 1,231,354
Addition	-	159,178	159,178
Amortization	-	(155,366)	(155,366)
Reclassifications	-	98,628	98,628
Effect of exchange rate changes	-	(9)	(9)
Other (Note)	-	10,833	10,833
	<u>-</u>	<u>10,833</u>	<u>10,833</u>
Balance, December 31	<u>\$ 876,717</u>	<u>\$ 467,901</u>	<u>\$ 1,344,618</u> (Concluded)

Note: These are assets, liabilities and operations acquired from SinoPac Call Center and SinoPac Property Insurance Agent through merger.

The above intangible assets are amortized on a straight-line basis over the following estimated useful lives:

<u>Item</u>	<u>Years</u>
Computer software	3-10.58 years

Goodwill includes \$876,717, which resulted from the Bank's cash merger with SinoPac Card Services, and this merger was treated as a reorganization of SPH.

In assessing whether goodwill is impaired, the Bank considers the credit card department as a cash generating unit and estimates the recoverable amount by its value in use. The Bank uses the department's actual profitability and business or business recycle in making key assumption to predict future cash flows and thus calculates its value in use. Under a going-concern assumption, the Bank predicted the net cash flows that would be generated from the investee's operating activities in the next 5 years and estimated salvage value and used the Bank's weighted average cost of capital to calculate the value in use.

The goodwill of the Bank's credit card department was \$876,717 as of December 31, 2020 and 2019. The impairment tests on goodwill were conducted on October 31, 2020 and 2019. The actual net income for the years ended December 31, 2020 and 2019 amounted to \$108,232 and \$119,372, respectively. The expected net income for the years 2020 and 2019 as assessed by the impairment test on goodwill would be \$78,125 and \$81,907, respectively. The recoverable amount was expected to be higher than the book value. Therefore, the Bank found no objective evidence that goodwill had been tested for impaired as of December 31, 2020 and 2019.

20. OTHER ASSETS, NET

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Guarantee deposits	\$ 3,163,120	\$ 3,530,853
Temporary payment and suspense accounts	282,310	198,301
Prepayment	222,954	323,503
Others	<u>51,021</u>	<u>51,036</u>
	3,719,405	4,103,693
Less: Accumulated impairment	<u>(7,935)</u>	<u>(7,000)</u>
Net Amount	<u>\$ 3,711,470</u>	<u>\$ 4,096,693</u>

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2020	2019
Call loans from banks	\$ 61,331,866	\$ 38,476,874
Redeposits from Chunghwa Post	10,090,000	10,137,905
Due to banks	<u>15,041</u>	<u>134,460</u>
	<u>\$ 71,436,907</u>	<u>\$ 48,749,239</u>

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2020	2019
Government bonds	\$ 1,999,311	\$ 3,891,105
Bank debentures	869,102	4,335,687
Corporate bonds	<u>832,910</u>	<u>-</u>
	<u>\$ 3,701,323</u>	<u>\$ 8,226,792</u>
Agreed-upon repurchase price	\$ 3,704,779	\$ 8,278,908
Par value	3,630,726	8,291,196
Maturity date	May 2021	May 2020

23. PAYABLES

	December 31	
	2020	2019
Accrued expenses	\$ 2,978,813	\$ 2,920,097
Accounts payable - factoring	2,790,152	2,256,677
Interests payable	1,865,266	2,960,636
Acceptances payable	1,635,483	741,435
Accounts payable	1,541,407	1,571,536
Dividends payable to SPH	1,435,025	1,435,025
Notes and checks in clearing	1,299,841	1,198,015
Others	<u>1,612,578</u>	<u>1,453,850</u>
	<u>\$ 15,158,565</u>	<u>\$ 14,537,271</u>

24. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Checking	\$ 13,880,918	\$ 11,935,115
Demand	410,817,696	268,020,272
Savings - demand	434,922,075	335,780,685
Time deposits	515,850,371	483,836,684
Negotiable certificates of deposit	1,960,000	11,225,300
Savings - time	249,690,008	256,716,567
Inward remittances	3,053,931	1,853,297
Outward remittances	59,294	116,316
	<u>\$ 1,630,234,293</u>	<u>\$ 1,369,484,236</u>

25. BANK DEBENTURES

To raise capital for its financial operation and increase its capital adequacy ratio, the Bank obtained approval from the FSC to issue bank debentures, as follows:

	December 31		Maturity Date	Rates
	2020	2019		
Second subordinated bank debentures issued in 2011 (B)	\$ 2,999,891	\$ 2,999,720	2011.08.18-2021.08.18 Principal is repayable on maturity date.	Fixed interest rate of 2.18%, interest is paid annually.
First subordinated bank debentures issued in 2012 (B)	1,299,874	1,299,802	2012.09.18-2022.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
Third subordinated bank debentures issued in 2014 (A)	-	1,879,933	2014.09.30-2020.03.30 Principal is repayable on maturity date.	Fixed interest rate of 1.75%, interest is paid annually.
Third subordinated bank debentures issued in 2014 (B)	699,798	699,747	2014.09.30-2024.09.30 Principal is repayable on maturity date.	Fixed interest rate of 2.05%, interest is paid annually.
First subordinated bank debentures issued in 2015	-	749,940	2015.07.22, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Second subordinated bank debentures issued in 2015	-	459,955	2015.09.08, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Third subordinated bank debentures issued in 2015	-	709,915	2015.11.05, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Fourth subordinated bank debentures issued in 2015	-	139,980	2015.12.15, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
First subordinated bank debentures issued in 2016	1,499,969	1,499,775	2016.02.23, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Second subordinated bank debentures issued in 2016	1,029,963	1,029,820	2016.03.30, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Third subordinated bank debentures issued in 2016	1,419,621	1,419,498	2016.12.23-2023.12.23 Principal is repayable on maturity date.	Fixed interest rate of 1.50%, interest is paid annually.
First subordinated bank debentures issued in 2017 (A)	149,928	149,906	2017.02.24-2024.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.60%, interest is paid annually.
First subordinated bank debentures issued in 2017 (B)	2,099,279	2,099,169	2017.02.24-2027.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.90%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (A)	199,931	199,911	2017.06.28-2024.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.70%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (B)	539,761	539,727	2017.06.28-2027.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.

(Continued)

	December 31		Maturity Date	Rates
	2020	2019		
Fourth subordinated bank debentures issued in 2017	\$ 2,999,348	\$ 2,999,047	2017.06.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five and half years.	Fixed interest rate of 4.00%, interest is paid annually.
First subordinated bank debentures issued in 2018 (A)	649,738	649,680	2018.04.30-2025.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
First subordinated bank debentures issued in 2018 (B)	499,760	499,729	2018.04.30-2028.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
First subordinated bank debentures issued in 2019	1,999,229	1,999,028	2019.01.25, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five and half years.	Fixed interest rate of 2.40%, interest is paid annually.
Second subordinated bank debentures issued in 2019 (A)	1,199,511	1,199,419	2019.01.25-2026.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
Second subordinated bank debentures issued in 2019 (B)	1,799,184	1,799,091	2019.01.25-2029.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.55%, interest is paid annually.
Third senior bank debentures issued in 2019	2,999,715	2,999,635	2019.06.26-2024.06.26 Principal is repayable on maturity date.	Fixed interest rate of 0.76%, interest is paid annually.
Fourth subordinated bank debentures issued in 2019	1,499,327	1,499,155	2019.08.23, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 2.00%, interest is paid annually.
Fifth subordinated bank debentures issued in 2019 (A)	1,749,225	1,749,092	2019.08.23-2026.08.23 Principal is repayable on maturity date.	Fixed interest rate of 1.03%, interest is paid annually.
Fifth subordinated bank debentures issued in 2019 (B)	1,749,168	1,749,077	2019.08.23-2029.08.23 Principal is repayable on maturity date.	Fixed interest rate of 1.13%, interest is paid annually.
First subordinated bank debentures issued in 2020	2,999,217	-	2020.03.31, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and four months.	Fixed interest rate of 1.35%, interest is paid annually.
Second subordinated bank debentures issued in 2020	1,999,392	-	2020.03.31-2030.03.31 Principal is repayable on maturity date	Fixed interest rate of 0.75%, interest is paid annually.
Third subordinated bank debentures issued in 2020	2,899,407	-	2020.06.30, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 1.85%, interest is paid annually.
Fourth subordinated bank debentures issued in 2020	2,599,376	-	2020.06.30-2030.06.30 Principal is repayable on maturity date	Fixed interest rate of 1.00%, interest is paid annually.
Fifth subordinated bank debentures issued in 2020	2,099,560	-	2020.10.29, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 1.70%, interest is paid annually.
Sixth subordinated bank debentures issued in 2020	2,399,454	-	2020.10.29-2030.10.29 Principal is repayable on maturity date.	Fixed interest rate of 0.87%, interest is paid annually.
Seventh senior bank debentures issued in 2020	<u>999,656</u>	<u>-</u>	2020.11.06-2025.11.06 Principal is repayable on maturity date.	Fixed interest rate of 0.46%, interest is paid annually.
	<u>\$ 45,078,282</u>	<u>\$ 33,019,751</u>		

(Concluded)

26. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Principal of structured products	\$ 9,261,545	\$ 31,181,875
Overseas certificate of deposit	735,219	-
Cumulative earnings on appropriated loan fund	<u>45,529</u>	<u>42,939</u>
	<u>\$ 10,042,293</u>	<u>\$ 31,224,814</u>

27. PROVISIONS

	December 31	
	2020	2019
Provision for employee benefits	\$ 2,568,444	\$ 2,470,019
Provision for guarantee liabilities	311,918	202,768
Provision for financing commitment	211,027	136,323
Provision for decommissioning liabilities	91,115	88,106
Other provision	<u>14,817</u>	<u>3,091</u>
	<u>\$ 3,197,321</u>	<u>\$ 2,900,307</u>

The movements of provision for financing commitment, provision for guarantee liabilities and other provisions were as follows:

	For the Year Ended December 31, 2020		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance at January 1, 2020	\$ 136,323	\$ 202,768	\$ 3,091
Provision	80,216	109,977	12,368
Effect of exchange rate changes	<u>(5,512)</u>	<u>(827)</u>	<u>(642)</u>
Balance at December 31, 2020	<u>\$ 211,027</u>	<u>\$ 311,918</u>	<u>\$ 14,817</u>

	For the Year Ended December 31, 2019		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance at January 1, 2019	\$ 210,276	\$ 164,563	\$ 5,331
(Reversal of) provision	(73,269)	38,274	(2,157)
Effect of exchange rate changes	<u>(684)</u>	<u>(69)</u>	<u>(83)</u>
Balance at December 31, 2019	<u>\$ 136,323</u>	<u>\$ 202,768</u>	<u>\$ 3,091</u>

28. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2020	2019
Recognized in balance sheets (payables and provisions)		
Defined contribution plans	\$ 40,797	\$ 38,467
Defined benefit plans	2,245,203	2,169,135
Preferential interest on employees' deposits	293,173	279,377
Deferred annual leave and retirement benefits	<u>30,068</u>	<u>21,507</u>
	<u>\$ 2,609,241</u>	<u>\$ 2,508,486</u>

a. Defined contribution plans

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

The total expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 of \$248,294 and \$228,430, respectively, represent contributions payable to these plans by the Bank at rates specified in the rules of the plans.

b. Defined benefit plans

For the Bank employees who adopt for defined benefit plans regulated by the Labor Standards Act, the retirement benefits are paid to employees as follow: (i) a lump sum payment equal to two base units for each year of service; (ii) that each year of service exceeding 15 years is entitled to only one base unit of wage; and (iii) that the maximum payment is for up to 45 base units. Any fraction of a year that is equal to six months or more is counted as one year of service, and any fraction of a year that is less than six months is counted as half a year of service.

Pension contributions are deposited in the Trust department of Bank of Taiwan and Bank SinoPac in the Organization of Supervisory Committee of Business Entities' Labor Retirement Reserve's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Trust department of Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Bank has no right to influence the investment policy and strategy.

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 5,241,258	\$ 5,150,594
Fair value of plan assets	<u>(2,996,055)</u>	<u>(2,981,459)</u>
Deficit	2,245,203	2,169,135
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability	<u>\$ 2,245,203</u>	<u>\$ 2,169,135</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2019	<u>\$ 5,097,931</u>	<u>\$ (2,903,417)</u>	<u>\$ 2,194,514</u>
Service cost			
Current service cost	71,688	-	71,688
Past service cost	-	-	-
Net interest expense (income)	<u>50,339</u>	<u>(29,483)</u>	<u>20,856</u>
Recognized in (profit) or loss	<u>122,027</u>	<u>(29,483)</u>	<u>92,544</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(55,425)	(55,425)
Actuarial (gain) loss - changes in financial assumptions	138,560	-	138,560
Actuarial (gain) loss - changes in demographic assumptions	600	-	600
Actuarial (gain) loss - experience adjustments	<u>35,359</u>	<u>-</u>	<u>35,359</u>
Recognized in other comprehensive income	<u>174,519</u>	<u>(55,425)</u>	<u>119,094</u>
Contributions from the employer	-	(239,770)	(239,770)
Benefits paid	(269,203)	269,203	-
Pay off or reduce the payment	-	-	-
Effect of people integration	<u>25,320</u>	<u>(22,567)</u>	<u>2,753</u>
Balance at December 31, 2019	<u>\$ 5,150,594</u>	<u>\$ (2,981,459)</u>	<u>\$ 2,169,135</u>
Balance at January 1, 2020	<u>\$ 5,150,594</u>	<u>\$ (2,981,459)</u>	<u>\$ 2,169,135</u>
Service cost			
Current service cost	65,315	-	65,315
Past service cost	-	-	-
Net interest expense (income)	<u>37,928</u>	<u>(22,482)</u>	<u>15,446</u>
Recognized in (profit) or loss	<u>103,243</u>	<u>(22,482)</u>	<u>80,761</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(63,229)	(63,229)
Actuarial (gain) loss - changes in financial assumptions	243,776	-	243,776
Actuarial (gain) loss - changes in demographic assumptions	154	-	154
Actuarial (gain) loss - experience adjustments	<u>21,439</u>	<u>-</u>	<u>21,439</u>
Recognized in other comprehensive income	<u>265,369</u>	<u>(63,229)</u>	<u>202,140</u>
Contributions from the employer	-	(206,833)	(206,833)
Benefits paid	(277,948)	277,948	-
Pay off or reduce the payment	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 5,241,258</u>	<u>\$ (2,996,055)</u>	<u>\$ 2,245,203</u>

The plan assets' actual returns were \$85,711 and \$84,908 for the years ended December 31, 2020 and 2019.

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

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate	0.30%	0.75%
Expected rate of salary increase	1.75%	1.75%
Turnover rate	0.45%	0.46%

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

	December 31	
	2020	2019
Discount rate (2020: 0.30%; 2019: 0.75%)		
0.25% increase	<u>\$ (137,399)</u>	<u>\$ (139,338)</u>
0.25% decrease	<u>\$ 142,506</u>	<u>\$ 144,700</u>
Expected rate of salary increase (1.75%)		
0.25% increase	<u>\$ 140,087</u>	<u>\$ 142,891</u>
0.25% decrease	<u>\$ (135,802)</u>	<u>\$ (138,326)</u>
Turnover rate (2020: 0.45%; 2019: 0.46%)		
110% of expected turnover rate	<u>\$ (166)</u>	<u>\$ (300)</u>
90% of expected turnover rate	<u>\$ 167</u>	<u>\$ 301</u>

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

	December 31	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 214,739</u>	<u>\$ 219,393</u>
The average duration of the defined benefit obligation	10 years	11 years

c. Preferential interest on employees' deposits

The Bank offers preferential interest on employees' deposits to both current and retired employees.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate	4.00%	4.00%
Expected interest rate on preferential interest on employees' deposits		
Manager	6.84%	7.09%
Staff	13.00%	13.00%
Normal deposit interest rate	0.84%	1.09%
Return on deposits	2.00%	2.00%
Excess preferential interest		
Manager	4.00%	4.00%
Staff	10.16%	9.91%
The probability of preferential interest on employees' deposits is canceled within ten years	50.00%	50.00%

The amounts included in the balance sheets arising from the Bank's obligation in respect of its preferential interest on employee's deposits were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 293,173	\$ 279,377
Fair value of plan assets	<u>-</u>	<u>-</u>
Deficit	293,173	279,377
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability	<u><u>\$ 293,173</u></u>	<u><u>\$ 279,377</u></u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2019	<u>\$ 264,531</u>	<u>\$ -</u>	<u>\$ 264,531</u>
Service cost			
Past service cost	29,233	-	29,233
Interest expense	<u>6,007</u>	<u>-</u>	<u>6,007</u>
Recognized in (profit) or loss	<u>35,240</u>	<u>-</u>	<u>35,240</u>
Remeasurement			
Actuarial (gain) loss - experience adjustments	1,567	-	1,567
Actuarial (gain) loss - changes in assumptions	<u>-</u>	<u>-</u>	<u>-</u>
Recognized in other comprehensive income	<u>1,567</u>	<u>-</u>	<u>1,567</u>
Benefits paid	<u>(21,961)</u>	<u>-</u>	<u>(21,961)</u>
Balance at December 31, 2019	<u><u>\$ 279,377</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 279,377</u></u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2020	<u>\$ 279,377</u>	<u>\$ -</u>	<u>\$ 279,377</u>
Service cost			
Past service cost	24,042	-	24,042
Interest expense	<u>6,024</u>	<u>-</u>	<u>6,024</u>
Recognized in (profit) or loss	<u>30,066</u>	<u>-</u>	<u>30,066</u>
Remeasurement			
Actuarial (gain) loss - experience adjustments	7,275	-	7,275
Actuarial (gain) loss - changes in assumptions	<u>-</u>	<u>-</u>	<u>-</u>
Recognized in other comprehensive income	<u>7,275</u>	<u>-</u>	<u>7,275</u>
Benefits paid	<u>(23,545)</u>	<u>-</u>	<u>(23,545)</u>
Balance at December 31, 2020	<u>\$ 293,173</u>	<u>\$ -</u>	<u>\$ 293,173</u> (Concluded)

29. OTHER LIABILITIES

	December 31	
	2020	2019
Guarantee deposits received	\$ 4,720,081	\$ 1,786,473
Temporary receipt and suspense accounts	597,313	652,449
Advance receipts	244,350	167,065
Deferred revenue	101,752	304,542
Others	<u>15,397</u>	<u>14,656</u>
	<u>\$ 5,678,893</u>	<u>\$ 2,925,185</u>

30. INCOME TAX

Under Article 49 of the Financial Holding Company Act and related directives issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings. Thus, SPH adopted the linked-tax system for income tax and unappropriated earnings tax filings with its qualified subsidiaries since 2003.

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
Current period	\$ 1,319,898	\$ 1,547,051
Adjustments for prior period	(9,725)	(15,458)
Others	<u>-</u>	<u>5,258</u>
	1,310,173	1,536,851
Deferred tax		
Temporary adjustment	<u>(49,760)</u>	<u>157,469</u>
Income tax expenses recognized in profit or loss	<u>\$ 1,260,413</u>	<u>\$ 1,694,320</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 11,014,513</u>	<u>\$ 11,985,307</u>
Income tax expense calculated at the statutory rate (20%)	\$ 2,202,903	\$ 2,397,061
Tax effect of adjusting items:		
Additional income tax under the Alternative Minimum Tax Act	278,717	-
Temporary difference	(661)	(5,170)
Adjustments for prior years' tax	(9,725)	(15,458)
Tax-exempt income	(179,134)	(72,184)
Permanent difference	(1,031,687)	(615,187)
Others	<u>-</u>	<u>5,258</u>
Income tax expense recognized in profit or loss	<u>\$ 1,260,413</u>	<u>\$ 1,694,320</u>

The ROC Income Tax Act was 20%. The rate of unappropriated earnings was 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
Adjustments of current period		
Defined benefit plans remeasurement	\$ 41,883	\$ 24,132
Share of the comprehensive income of subsidiaries accounted for using the equity method	8,101	(10,335)
Exchange difference on translating foreign operations	<u>(22,042)</u>	<u>68,343</u>
Income tax recognized in other comprehensive income	<u>\$ 27,942</u>	<u>\$ 82,140</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
<u>Current tax assets</u>		
Receivables from adopting the linked-tax system	\$ 1,060,924	\$ 1,276,102
Others	<u>138,943</u>	<u>140,980</u>
	<u>\$ 1,199,867</u>	<u>\$ 1,417,082</u>
<u>Current tax liabilities</u>		
Payables for adopting the linked-tax system	\$ 359,498	\$ 811,552
Others	<u>82,306</u>	<u>70,543</u>
	<u>\$ 441,804</u>	<u>\$ 882,095</u>

d. Deferred tax assets and liabilities

	December 31	
	2020	2019
<u>Deferred tax assets</u>		
Allowance for doubtful accounts	\$ 605,397	\$ 676,725
Provision for defined benefit	457,303	437,614
Exchange differences on translating foreign operations	147,601	169,563
Exchange and derivative products unrealized losses	66,119	-
Others	<u>67,843</u>	<u>39,100</u>
	<u>\$ 1,344,263</u>	<u>\$ 1,323,002</u>
<u>Deferred tax liabilities</u>		
Land value increment tax	\$ 587,038	\$ 587,038
Investments accounted for using the equity method	120,358	162,695
Exchange and derivative products unrealized gains	-	16,669
Others	<u>46,555</u>	<u>46,555</u>
	<u>\$ 753,951</u>	<u>\$ 812,957</u>

Deferred tax expenses recognized in profit or loss were as follows:

	For the Year Ended December 31	
	2020	2019
Provision	\$ 71,328	\$ 11,589
Provision for defined benefit	22,195	25,349
Loss carryforwards	-	166,504
Investments accounted for using the equity method	(42,337)	22,245
Unrealized gains or losses on exchanges and derivative instruments	(82,787)	(72,666)
Others	<u>(18,159)</u>	<u>4,448</u>
	<u>\$ (49,760)</u>	<u>\$ 157,469</u>

The Bank did not have unused loss carryforwards as of December 31, 2020.

- e. The Bank's tax returns through 2015 had been assessed by the tax authorities.
- f. SinoPac Call Center, SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. were merged into Bank SinoPac in 2019. The assessed years of profit-seeking enterprise income tax were as follows:

	<u>Assessment Year</u>
SinoPac Call Center	2015
SinoPac Life Insurance Agent Co., Ltd.	A current final report on total business income from January 1 to July 31, 2019
SinoPac Property Insurance Agent Co., Ltd.	A current final report on total business income from January 1 to July 31, 2019

31. EQUITY

- a. Common stock

The Bank's authorized capital is \$100,000,000. And the Bank issued 10,000,000 thousand common stock with par value of NT\$10. The Bank paid-in capital is \$86,061,159 with 8,606,116 thousand common stock.

- b. Capital surplus

The premium from shares issued in excess of par (share premium from issuance of common stock, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year).

On July 25, 2014, the board of directors of the parent company of the Bank, SPH, approved a capital increase and retained 10% of shares for subscription by the Bank's employees. The Bank's capital surplus - employee share options, which was determined on the basis of the grant-date fair value of the employee share options, was \$67,511 in 2014.

- c. Other equity items

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities	Total
	Equity Instrument	Debt Instrument		
Balance January 1, 2020	\$ (670,011)	\$ 831,379	\$ 898,594	\$ (68,042)
Exchange differences				
Exchange differences on translation of foreign operations	110,208	-	-	110,208
Related income tax	(22,042)	-	-	(22,042)

(Continued)

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities	Total
		Equity Instrument	Debt Instrument		
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	\$ -	\$ 1,037,082	\$ 3,216,279	\$ -	\$ 4,253,361
Adjustment for loss allowance of debt instruments	-	-	27,857	-	27,857
Current disposal	-	-	(729,430)	-	(729,430)
Cumulative realized gain or loss transferred to retained earnings due to disposal	-	(7,329)	-	-	(7,329)
Share of gains (losses) of subsidiary and other comprehensive income of those investments					
Recognition	(399)	-	(40,103)	-	(40,502)
Income tax	80	-	8,021	-	8,101
Change in fair value of financial liability attributable to changes in the credit risk of liabilities					
Change in amount	-	-	-	(14,301)	(14,301)
Balance December 31, 2020	<u>\$ (582,164)</u>	<u>\$ 1,861,132</u>	<u>\$ 3,381,218</u>	<u>\$ (82,343)</u>	<u>\$ 4,577,843</u> (Concluded)

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities	Total
		Equity Instrument	Debt Instrument		
Balance January 1, 2019	\$ (396,410)	\$ 552,135	\$ (178,523)	\$ (7,836)	\$ (30,634)
Exchange differences					
Exchange differences on translation of foreign operations	(341,716)	-	-	-	(341,716)
Related income tax	68,343	-	-	-	68,343
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	279,244	1,553,073	-	1,832,317
Adjustment for loss allowance of debt instruments	-	-	9,322	-	9,322
Current disposal	-	-	(526,846)	-	(526,846)

(Continued)

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities	Total
		Equity Instrument	Debt Instrument		
Share of gains (losses) of subsidiary and other comprehensive income of those investments					
Recognition	\$ (285)	\$ -	\$ 51,960	\$ -	\$ 51,675
Income tax	57	-	(10,392)	-	(10,335)
Change in fair value of financial liability attributable to changes in the credit risk of liabilities					
Change in amount	-	-	-	(60,206)	(60,206)
Balance December 31, 2019	<u>\$ (670,011)</u>	<u>\$ 831,379</u>	<u>\$ 898,594</u>	<u>\$ (68,042)</u>	<u>\$ 991,920</u> (Concluded)

d. Earnings distribution and dividend policy

The Bank's Articles of Incorporation provide that annual net income should be appropriated after it has:

- 1) Deducted any deficit of prior years;
- 2) Paid all outstanding taxes;
- 3) Set aside 30% of remaining earnings as legal reserve;
- 4) Set aside any special reserve or retained earnings allocated at its option;
- 5) Allocated shareholders' dividends.

The Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, above allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

The Bank meets the required financial position; thus, the limitation on the setting aside of earnings to legal reserve under the Company Act is not applicable.

To comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the "Balanced Dividend Policy".

Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared if the Bank's CAR is above 10% and stock dividends may be declared if the CAR is equal to or less than 10%. However, the Bank may make discretionary cash distribution even if the CAR is below 10%, if approved at the shareholders' meeting, for the purpose of maintaining the cash dividends at a certain level in any given year.

Cash dividends and cash bonus are paid after the approval of the shareholders, while the distribution of stock dividends requires the additional approval of the authorities.

Under the Company Act, legal reserve shall be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

Under Article 50-2 of the Banking Act revised on December 30, 2008, when legal reserve has meet the total capital reserve or required financial position, the setting aside of earnings to legal reserve under the Company Act is not limited to the restriction that 30% of remaining earnings shall be set aside as legal reserve or the limitation on the appropriation of the remainder and retained earnings from previous year to 15% of total capital reserve when legal reserve has not meet the total capital reserve. The requirements for financial position of banks to be established in accordance with this Act revised on April 30, 2012 shall be as prescribed by the FSC, Executive Yuan, ROC.

According to FSC Order No. 1010012865 and the rule of "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs", of amount of equal to the net debit balance of shareholders' other equity items shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated.

Under Order No. 10510001510 (repealed on May 15, 2019, replaced by No. 10802714560 issued by the FSC), issued by the FSC on May 25, 2016, before dispatching the net income of 2016 through 2018, the Public Bank shall reserve 0.5% to 1% of net income as special reserve. Under Order No. 10802714560 issued by the FSC, it is no longer necessary to use special reserve as a way in response to the development of financial technology and the protection of the rights of employees in domestic banks from the fiscal year of 2019. The Bank can reserve the expenditure for employee transfer or placement and for employee training in financial technology development or banking business development.

Under the Financial Holding Company Act, the board of directors is empowered to execute the authority of the shareholders' meeting, which is under no jurisdiction in the related regulations in the Company Act.

The appropriations of earnings for 2018 have been proposed by the Bank's board of directors (on behalf of the shareholder's meeting) on June 21, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,804,524	
Reversal of special reserve	(86,803)	
Cash dividends	6,630,694	\$0.77046299

The appropriations of earnings for 2019 have been proposed by the Bank's board of directors (on behalf of the shareholder's meeting) on May 22, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 3,058,337	
Reversal of special reserve	(45,444)	
Cash dividends	7,181,565	\$0.83447222

The appropriations of earnings for 2020 have been proposed by the Bank's board of directors on March 12, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,878,169	
Reversal of special reserve	(12,307)	
Cash dividends	5,900,000	\$ 0.68555898
Stock dividends	828,035	0.09621465

The board of directors approved the 2020 appropriations of earnings on March 12, 2021, that will be resolved by shareholder's resolution (on behalf of the shareholder's meeting) in 2021.

In accordance with FSC Guideline No. 09900146911, cash dividends and bonus to shareholders for 2009 amounting to \$1,435,025 shall not be remitted to the parent company until the land transferred to SPL from the Bank is disposed and the gain is realized.

32. NET INTEREST REVENUE

	For the Year Ended December 31	
	2020	2019
Interest income		
Loans	\$ 20,230,716	\$ 22,147,719
Security investments	5,550,429	4,627,649
Due from the Central Bank and call loans to banks	982,029	1,878,824
Credit card revolving interest rate income	541,411	600,399
Securities purchased under resell agreements	155,709	309,907
Accounts receivable-forfaiting	120,327	224,007
Others	<u>327,643</u>	<u>435,173</u>
	<u>27,908,264</u>	<u>30,223,678</u>
Interest expenses		
Deposits	(9,756,286)	(13,502,356)
Bank debentures	(773,130)	(791,973)
Call loans from banks	(514,273)	(867,993)
Interest expense of structured products	(315,375)	(463,322)
Others	<u>(198,666)</u>	<u>(340,088)</u>
	<u>(11,557,730)</u>	<u>(15,965,732)</u>
	<u>\$ 16,350,534</u>	<u>\$ 14,257,946</u>

33. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2020	2019
Service fee income		
Insurance services	\$ 2,573,917	\$ 2,345,271
Trust and related services	2,206,242	1,866,676
Loan services	1,256,767	950,168
Credit card services	867,333	1,024,301
Others	<u>958,315</u>	<u>872,254</u>
	<u>7,862,574</u>	<u>7,058,670</u>
Service fee expenses		
Credit card services	(542,426)	(512,761)
Interbank services	(218,480)	(170,002)
Trust services	(153,511)	(128,542)
Foreign exchange transaction	(50,320)	(53,906)
Others	<u>(300,420)</u>	<u>(323,000)</u>
	<u>(1,265,157)</u>	<u>(1,188,211)</u>
	<u>\$ 6,597,417</u>	<u>\$ 5,870,459</u>

34. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

	For the Year Ended December 31	
	2020	2019
Disposal gain (loss) on financial assets and liabilities at fair value through profit or loss		
Government bonds	\$ 750,109	\$ 388,606
Corporate bonds	133,018	2,398
Bank debentures	3,708	370,405
Currency swap contracts and hybrid FX swap structured instruments	1,704,195	2,999,171
Cross-currency swap contracts	(56,789)	(213,370)
Forward contracts	(389,023)	282,663
Futures contracts	(441,987)	(83,788)
Option contracts	(495,699)	(176,420)
Interest rate swap contracts	(1,386,426)	757,484
Others	<u>73,270</u>	<u>67,216</u>
	<u>(105,624)</u>	<u>4,394,365</u>
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss		
Bank debentures	(38,255)	(217,224)
Interest rate swap contracts	2,083,876	(579,688)
Option contracts	(112,227)	121,117
Futures contracts	(131,105)	(43,128)
Currency swap contracts and hybrid FX swap structured instruments	(575,966)	366,709
Others	<u>73,160</u>	<u>(101,650)</u>
	<u>1,299,483</u>	<u>(453,864)</u>
Interest revenues	<u>350,154</u>	<u>301,949</u>
	<u>\$ 1,544,013</u>	<u>\$ 4,242,450</u>

35. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2020	2019
Dividend revenue		
Holding at the end of the reporting period	\$ 354,071	\$ 89,302
Disposal in the reporting period	46,631	-
Gain or loss from disposal of debt instruments	<u>729,430</u>	<u>526,846</u>
	<u>\$ 1,130,132</u>	<u>\$ 616,148</u>

36. NET OTHER REVENUE OTHER THAN INTEREST INCOME

	For the Year Ended December 31	
	2020	2019
Rental income	\$ 91,238	\$ 93,097
Insurance claims income	22,382	960
Operating assets rental income	27,671	27,629
Transaction bonus	11,280	15,240
Gain on disposal of assets	-	64,973
Others	<u>29,288</u>	<u>35,348</u>
	<u>\$ 181,859</u>	<u>\$ 237,247</u>

37. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2020	2019
Salaries and wages	\$ 6,925,086	\$ 6,620,277
Labor insurance and national health insurance	489,487	460,423
Pension costs	329,055	320,985
Cash-settled share-based payment transaction	38,774	-
Others	<u>615,272</u>	<u>612,613</u>
	<u>\$ 8,397,674</u>	<u>\$ 8,014,298</u>

The Bank's Articles of Incorporation provide that the Bank shall allocate from annual profit more than 0.5% as employees' compensation and not more than 1% as remuneration of directors. But if there are accumulated losses, the Bank should make up for the losses first.

The employees' compensation and the remuneration of directors recognized were estimated on the basis of the provisions of the Bank's Articles of Incorporation and past experience. The Bank accrued \$60,000 as employees' compensation and \$18,000 and \$20,000 as remuneration of directors for the years ended December 31, 2020 and 2019.

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

The board of directors approved \$60,000 as employees' compensation and \$18,000 as remuneration of directors on January 29, 2021 and February 26, 2021, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash.

The board of directors approved \$60,000 as employees' compensation and \$20,000 as remuneration of directors on January 17, 2020 and March 13, 2020, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash. The Bank's board of directors resolved the remuneration of employees, directors and supervisors on behalf of the shareholder on May 22, 2020.

The information on employees' compensation and the remuneration of directors is available at the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

For short-term and long-term compensation, SPH, parent company, has set up a long-term incentive compensation plan, which defers the delivery of performance bonus to the Group's high level managers, and links the stock price of SPH with the long term performance index. The Bank expects to use virtual stocks and future stock price to calculate the compensation and deliver in cash. The Bank recognizes the compensation as cash-settled share-based employee benefits expense.

38. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2020	2019
Depreciation expense		
Land improvements	\$ 23	\$ 14
Buildings	135,337	129,983
Machinery and computer equipment	233,562	162,749
Other equipment	80,022	73,989
Leasehold improvements	63,004	64,754
Right-of-use assets	<u>612,341</u>	<u>641,469</u>
	1,124,289	1,072,958
Amortization expense	<u>184,346</u>	<u>155,366</u>
	<u>\$ 1,308,635</u>	<u>\$ 1,228,324</u>

39. OTHERS GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2020	2019
Taxation and fees	\$ 1,198,490	\$ 1,263,711
Marketing	533,888	656,205
Professional advisory	462,662	487,642
Automated equipment	451,263	394,300
Location fee	391,310	387,155
Insurance	324,255	285,674
Communications expense	275,897	250,562
Others	<u>564,705</u>	<u>594,144</u>
	<u>\$ 4,202,470</u>	<u>\$ 4,319,393</u>

40. EARNINGS PER SHARE

Basic earnings per share is calculated by the gain or loss attributed to the Bank's shareholder divided by the weighted-average number of common stock outstanding.

	Dollars Per Share	
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic EPS	\$ <u>1.13</u>	\$ <u>1.20</u>

The weighted-average number of common stock outstanding in the computation of basic EPS are as follows:

Net income

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Net income for calculating basic EPS	\$ <u>9,754,100</u>	\$ <u>10,290,987</u>

Shares

	Shares in Thousands	
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
The weighted-average number of common stock outstanding in the computation of basic EPS	<u>8,606,116</u>	<u>8,606,116</u>

41. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other notes to the financial statements, transactions, between the Bank and other related parties are summarized as follows:

a. Related parties and their relationships with the Bank

<u>Related Party</u>	<u>Relationship with the Bank</u>
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
Bank SinoPac (China) Ltd.	Subsidiary of the Bank
SinoPac Insurance Brokers Ltd.	Subsidiary of the Bank
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Securities Investment Service CO., LTD. (SinoPac Securities Investment Service)	Subsidiary of SinoPac Securities

(Continued)

Related Party	Relationship with the Bank
SinoPac Securities Venture Capital Corporation (SinoPac Securities Venture Capital)	Subsidiary of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Capital International Limited	Subsidiary of SPL
Nuvoton Technology Corp. (Nuvoton Technology)	Affiliate of SPH's chairman's spouse
Taiwan Stock Exchange (TWSE)	Affiliate of the SPH's general manager
Taipei Forex Inc. (TAIFX)	Affiliate of the Bank's general manager
Sun He Energy Co., Ltd. (Sun He Energy)	Corporate director of SinoPac Venture Capital
Yuen Foong Paper Co., Ltd. (Yuen Foong Paper)	Affiliate of SPH's corporate director
Hsin Yi Recreation Enterprise Co., Ltd. (Hsin Yi Recreation)	Affiliate of SPH's corporate director
Shin Yuan Investment Co., Ltd. (Shin Yuan Investment)	Affiliate of SPH's corporate director
Quanta Computer Co., Ltd. (Quanta Computer)	Affiliate of SPH's director
Pegatron Corporation (Pegatron)	Affiliate of SPH's director
Foundation of Private School	Affiliate of SPH's director
Chunghwa Telecom Co., Ltd. (Chunghwa Telecom)	Affiliate of the Bank's director
Taiwan Riken Industrial CO., LTD. (Taiwan Riken Industrial)	Affiliate of SinoPac Securities' s director
Taipei Fubon Commercial Bank Co., Ltd. (Taipei Fubon Bank)	Affiliate of SPL's director
Tatung Company	Affiliate of SPL's director
Hua Nan Commercial Bank, Ltd. (Hua Nan Bank)	Affiliate of SPL director's spouse
Boardtek Electronics Corporation (Boardtek Electronics)	Affiliate of SPH's manager
Hotai Investment Limited (Hotai Investment)	Affiliate of the Bank's manager
Taiwan Securities Association	Affiliate of the SinoPac Securities' s manager
Grand Bills Finance Corp. (Grand Bills Finance)	Affiliate of the SPH's manager's spouse
Tsann Kuen Enterprise Co., Ltd. (Tsann Kuen Enterprise)	Affiliate of the Bank's manager's spouse
Mechema Chemicals International Corp. (Mechema Chemicals)	Affiliate of the Bank's manager's spouse
Chailease Auto Rental Co., Ltd. (Chailease Auto Rental)	Affiliate of the Bank's manager's spouse
Evercast Precision Industry Corporation (Evercast Precision)	Affiliate of first-degree kin of the Bank's manager
Taiwan Printed Circuit Board Techvest Co., Ltd. (Taiwan PCB Techvest)	Affiliate of first-degree kin of the Bank's manager
Kim Great Co., Ltd. (Kim Great)	Affiliate of second-degree kin of the Bank's manager
Hao-Xin-Di Co., Ltd. (Hao-Xin-Di)	Affiliate of second-degree kin of the Bank's manager
Shyang Yih Logistics Co., Ltd. (Shyang Yih Logistics)	Affiliate of third-degree kin of the Bank's manager (before June 2020)
Hao Yu Co., Ltd. (Hao Yu)	Affiliate of second-degree-in-laws of the Bank's manager
Chen Shih Automation Industrial Co., Ltd. (Chen Shih Automation Industrial)	Affiliate of second-degree-in-laws of the Bank's manager
Greatwell Enterprise Co., Ltd. (Greatwell Enterprise)	Affiliate of second-degree in-laws of the Bank's manager
YFY International BVI Corp. (YFY International)	Related party
YFY Cayman Co., Ltd. (YFY Cayman)	Related party

(Continued)

Related Party	Relationship with the Bank
Universal Cement Corporation (Universal Cement)	Related party
Hoss Venture Inc. (Hoss Venture)	Related party
Syntera International Investment Inc. (Syntera International Investment)	Related party
Hydis Technologies Co., Ltd.	Related party
Hsin-Yi Foundation	Related party
E Ink Holdings Inc. (E Ink Holdings)	Related party
Foundation of Fire Fighting Development	Related party
YuanHan Material Inc. (YuanHan Material)	Related party
SinoPac Securities Investment Trust Funds	Related party
Tech Smart Logistics Ltd.	Related party
Shin Foong Specialty And Applied Materials Co., Ltd. (Shin Foong Specialty And Applied Materials)	Related party
New Field E-Paper Co., Ltd. (New Field E-Paper)	Related party
YFY Biotech Management Co., Ltd. (YFY Biotech Management)	Related party
China Color Printing Co., Ltd. (China Color Printing)	Related party
Yong Hsin Yi Enterprise Co., Ltd. (Yong Hsin Yi Enterprise)	Related party
Hoss Capital Inc. (Hoss Capital)	Related party
Foongtone technology Co., Ltd. (Foongtone technology)	Related party
Willpower Industries Limited	Related party
Taigen Biotechnology Co., Ltd. (Taigen Biotechnology)	Related party
Chi Lin Investment Ltd. (Chi Lin Investment)	Related party (before Jan 2020)
Shen's Art Printing Co., Ltd. (Shen's Art Printing)	Related party
Yuen Foong Shop Co., Ltd. (Yuen Foong Shop)	Related party
YFY Biotech Co., Ltd. (YFY Biotech)	Related party
Others	The Bank's directors, managers and their relatives, department chiefs, investments accounted for using the equity method and their subsidiaries, and investees of SPH's other subsidiaries, etc.
	(Concluded)

b. Significant transactions with related parties

1) Cash and cash equivalents

	December 31	
	2020	2019
Due from banks		
Bank SinoPac (China) Ltd.	\$ 1,334	\$ 1,310

2) Due from the Central Bank and call loans to banks

For the Year Ended December 31, 2020			
	Ending Balance	Interest (%)	Interest Revenue
Call loans to banks			
Bank SinoPac (China) Ltd.	\$ 3,771,144	0.65-3.41	\$ 56,343
Hua Nan Bank	997,793	0.05-2.37	7,336
Grand Bills Finance	-	0.45	67
For the Year Ended December 31, 2019			
	Ending Balance	Interest (%)	Interest Revenue
Call loans to banks			
Bank SinoPac (China) Ltd.	\$ 2,159,305	2.51-3.30	\$ 21,092
Taipei Fubon Bank	-	2.30-2.91	5,540
Hua Nan Bank	451,683	0.99-4.90	4,740

3) Derivative financial instruments

December 31, 2020					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Interest rate swap contracts					
SinoPac Securities	\$ 500,000	2020.3.9- 2022.3.9	\$ 703	Financial assets at fair value through profit or loss	\$ 703
SinoPac Securities	675,000	2020.8.3- 2024.8.12	(1,300)	Financial liabilities at fair value through profit or loss	1,300
Hua Nan Bank	3,546,579	2020.9.8- 2030.11.20	15,162	Financial assets at fair value through profit or loss	15,162
Hua Nan Bank	1,000,000	2020.4.13- 2030.7.9	(1,266)	Financial liabilities at fair value through profit or loss	1,266
Forward contracts					
YFY International	2,138,128	2020.10.16- 2021.6.4	46,999	Financial assets at fair value through profit or loss	46,999
Tatung Company	28,028	2020.9.17- 2021.1.27	(1,030)	Financial liabilities at fair value through profit or loss	1,030
Currency swap contracts					
SinoPac Securities	1,748,913	2020.11.23- 2021.2.26	24,044	Financial assets at fair value through profit or loss	24,044
December 31, 2019					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Interest rate swap contracts					
SinoPac Securities	\$ 600,000	2015.1.19- 2020.8.26	\$ (2,679)	Financial assets at fair value through profit or loss	\$ 1,197
SinoPac Securities	300,000	2015.9.1- 2020.9.1	1,019	Financial liabilities at fair value through profit or loss	824
Forward contracts					
YFY International	1,957,293	2019.10.8- 2020.2.26	24,486	Financial assets at fair value through profit or loss	24,486
YFY Cayman	1,204,488	2019.11.14- 2020.2.12	13,155	Financial assets at fair value through profit or loss	13,155
Boardtek Electronics	30,112	2019.10.23- 2020.1.8	(372)	Financial liabilities at fair value through profit or loss	372

4) Securities purchased under resell agreements

2020

	December 31		For the Year Ended December 31
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	\$ 969,285	\$ 829,594	\$ 15,022

2019

	December 31		For the Year Ended December 31
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	\$ 2,550,202	\$ 2,268,704	\$ 94,572

5) Receivables

	December 31	
	2020	2019
Interest receivable		
Bank SinoPac (China) Ltd.	\$ 22,440	\$ 12,873
Other relatives	743	3,822
Revenue receivable		
Other relatives	1,152	1
Other receivables		
Bank SinoPac (China) Ltd.	104,956	104,956
Other relatives	1,142	5,956

6) Current income tax assets and liabilities

	December 31	
	2020	2019
Receivables from adopting the linked-tax system	\$ 1,060,924	\$ 1,276,102
Payables from adopting the linked-tax system	\$ 359,498	\$ 811,552

7) Loans

	For the Year Ended December 31, 2020			
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	\$ 10,806,061	\$ 17,266,227	0-10.24	\$ 167,988

Category	December 31, 2020						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	296	\$ 515,494	\$ 469,781	V	-	None	Yes
Household mortgage loans	1,078	6,101,734	5,718,414	V	-	Real estate	Yes
Others:				V			
	Quanta Computer	5,117,318	-	V	-	None, Note 1	Yes
	SPL	1,070,000	970,000	V	-	Real estate	Yes
	Boardtek Electronics	900,000	900,000	V	-	Real estate	Yes
	Universal Cement	200,000	-	V	-	None, Note 1	Yes
	Evercast Precision	51,838	49,674	V	-	Real estate	Yes
	Kim Great	48,661	46,474	V	-	Real estate	Yes
	Hoss Venture	30,000	-	V	-	Real estate	Yes
	Hao Yu	16,400	11,600	V	-	Real estate	Yes
	Chen Shih Automation Industrial	15,000	15,000	V	-	Real estate	Yes
	Hao-Xin-Di	9,381	8,542	V	-	Real estate	Yes
	Greatwell Enterprise	8,200	8,200	V	-	Real estate	Yes
	Hotai Investment	3,300	3,231	V	-	Vehicle	Yes
	Others	3,178,901	2,605,145	V	-	Real estate, certificates of deposits and vehicle	Yes
	Others subtotal	10,648,999	4,617,866				
	Total	\$ 17,266,227	\$ 10,806,061				

For the Year Ended December 31, 2019

	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 9,567,674</u>	<u>\$ 10,574,133</u>	0-11.99	<u>\$ 140,174</u>

Category	December 31, 2019						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	310	\$ 517,710	\$ 467,706	V	-	None	Yes
Household mortgage loans	1,016	5,393,207	4,998,718	V	-	Real estate	Yes
Others:							
	SPL	975,000	975,000	V	-	Real estate	Yes
	Boardtek Electronics	850,000	700,000	V	-	Real estate	Yes
	Evercast Precision	75,955	51,838	V	-	Real estate	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Taiwan PCB Techvest	19,938	-	V	-	None, Note 1	Yes
	Kim Great	18,721	17,272	V	-	Real estate	Yes
	Hao-Xin-Di	9,790	9,381	V	-	Real estate	Yes
	Greatwell Enterprise	8,200	8,200	V	-	Real estate	Yes
	Shyang Yih Logistics	493	38	V	-	Vehicle	Yes
	Others	2,675,119	2,309,521	V	-	Certificates of deposit, certificates of fund, vehicle and real estate	Yes
	Others subtotal	4,663,216	4,101,250				
	Total	\$ 10,574,133	\$ 9,567,674				

Note 1: Non-related party of the Bank at the loan signing date.

Note 2: Debtors of related party loans are all within normal credit ranking. The Bank estimated the provision for doubtful debt periodically in accordance with the guidelines issued by the authority and IFRSs.

8) Guarantees

December 31, 2020

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
Tsann Kuen Enterprise	\$ 8,000	\$ -	\$ -	0.50%	None, Note	
Others	2	-	-	1.75%	None, Note	

December 31, 2019

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
Tsann Kuen Enterprise	\$ 28,000	\$ 8,000	\$ -	0.50%	None, Note	
Others	146	2	-	1.75%-2.25%	None, Note	

Note: It is non-related party at the Bank at the loan's sign date.

9) Financial assets at fair value through other comprehensive income

	December 31	
	2020	2019
Equity instrument		
Quanta Computer	\$ 266,161	\$ -
TAIFX	16,055	19,836
Debt instrument		
Hua Nan Bank	4,998,609	1,000

10) Other financial assets

The Bank had interest revenue from call loans to security corporations for the years ended December 31, 2020 and 2019 were \$57 and \$133, respectively.

11) Property and equipment

In the year ended December 31, 2020 and 2019, the Bank purchased property and equipment from its related parties for a total price of \$21,532 and \$17,207, recognized as machinery and computer and prepayments for equipment.

The Bank leased other equipment from SPL with financial leasing, due to the date, December 31, 2020 and 2019, the carrying amount were \$117 and \$188, respectively.

12) Intangible assets

For the years ended December 31, 2020 and 2019, the Bank purchased computer software from its related parties in the amount of \$13,148 and \$22,563, respectively, recognized under intangible assets.

13) Other assets

	December 31	
	2020	2019
Prepayments		
Others	\$ 5,108	\$ 5,480
Guarantee deposits		
SinoPac Futures	298,336	348,052
Others	8,382	9,370

The Bank signed an agreement with other related parties for the purchase. The Bank paid \$93,996 and \$44,482 for the years ended December 31, 2020 and 2019, which were recorded as prepayments (other assets) or other operating expenses.

The amount of undiscounted guarantee deposits from lease contract is \$12,903 and \$14,162 as of December 31, 2020 and 2019.

The amount of interest revenue through above guarantee for the years ended December 31, 2020 and 2019 were \$172 and \$366, respectively.

14) Notes and bonds transaction

	For the Year Ended December 31, 2020	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Hua Nan Bank	\$ 6,174,182	\$ 1,174,944
SPH	2,000,000	-
SPL	167,972	167,986
Syntera International Investment	19,997	19,998
SinoPac Securities	-	14,600,000
Mechema Chemicals	-	29,994

	For the Year Ended December 31, 2019	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Hua Nan Bank	\$ 2,702,672	\$ 2,705,613
Taipei Fubon Bank	2,400,150	400,409
Chailease Auto Rental	199,928	199,993
SPL	99,962	99,995
SinoPac Securities	-	8,200,000

15) Deposits from the Central Bank and banks

2020

	For the Year Ended December 31		
	Ending Balance	Interest Rates (%)	Interest Expense
Hua Nan Bank	\$ 1,282,877	0.08-12.00	\$ 3,704

2019

	For the Year Ended December 31		
	Ending Balance	Interest Rates (%)	Interest Expense
Hua Nan Bank	\$ 256,100	0.70-5.00	\$ 5,611
Taipei Fubon Bank	-	0.05-4.40	898
Bank SinoPac (China) Ltd.	5,655	0-0.25	9

16) Payables

	December 31	
	2020	2019
Accrued expenses		
Yuen Foong Paper	\$ 55	\$ 63
Interest payables		
SinoPac Securities (Asia) Ltd.	6,950	699
Hua Nan Bank	1,481	8
SinoPac Insurance Brokers Ltd.	234	320
SinoPac Securities	182	273
SinoPac Venture Capital	28	71
Others	52	337
Dividends payables to SPH		
SPH	1,435,025	1,435,025
Others payable		
Others	7,914	21,243

17) Bank debentures

The Bank's bank debentures issued for the year ended December 31, 2020 and 2019 were underwritten by SinoPac Securities who were paid \$3,150 and \$4,650 commission fee, respectively (recognized as discount of bank debentures).

Except that related parties directly buy bank debentures issued by the Bank from the market, third subordinated bank debentures issued in 2015 by the Bank were subscribed by related parties for a total amount of \$620,000, as of the last interest payment date, on December 31, 2019.

The Bank paid interest of bank debentures for the years ended December 31, 2020 and 2019 were \$28,599 and \$33,405, respectively.

18) Deposits

2020

For the Year Ended December 31		
Ending Balance	Interest Rates (%)	Interest Expense
<u>\$ 61,750,092</u>	0-13	<u>\$ 267,098</u>

	Ending Balance	Interest Rate (%)
Quanta Computer	\$ 15,500,906	0-0.76
Pegatron	14,664,985	0.03-0.76
SinoPac Securities	6,781,400	0-1.01
SinoPac Securities (Asia) Ltd.	3,451,570	0-2.4
SinoPac Capital International Limited	2,139,981	0.001-0.2
Hydis Technologies Co., Ltd.	1,555,868	0.03
Hsin-Yi Foundation	868,661	0.01-1.75
Nuvoton Technology	734,300	0.01-0.49
E Ink Holdings	729,138	0.001-0.815
Foundation of Fire Fighting Development	729,042	0-0.84
YuanHan Material	713,395	0.001-0.815
SinoPac TWD Money Market Fund	500,132	0.03
Tech Smart Logistics Ltd.	449,717	0.03
Shin Foong Specialty And Applied Materials	419,065	0.03-0.57
Sinopac Venture Capital	324,506	0.01-0.38
New Field E-Paper	316,794	0.03
Hsin Yi Recreation	309,018	0.03-1.5
YFY Biotech Management	282,956	0-0.76
China Color Printing	270,226	0.03-0.815
TWSE	200,000	0.03-1.01
SinoPac Securities Investment Service	183,163	0-0.815
SinoPac Securities Venture Capital	167,922	0.03
Private School Foundation	151,172	0-0.83
SPH	139,621	0-0.03
Sun He Energy	138,823	0.03
Yong Hsin Yi Enterprise	131,036	0.03-1.55
Hoss Capital	126,309	0.03-1.4
Shin Yuan Investment	120,156	0.001-0.55
Foongtone technology	116,908	0-1.35
Willpower Industries Limited	116,304	0.03-0.3
Taiwan Securities Association	114,947	0.08-0.84
Yuen Foong Paper	111,467	0-1.065
Taiwan Riken Industrial	110,902	0-2.3
Taigen Biotechnology	105,566	0-1.01
Others	<u>8,974,136</u>	0-13
	<u>\$ 61,750,092</u>	

2019

For the Year Ended December 31		
Ending Balance	Interest Rates (%)	Interest Expense
<u>\$ 36,968,836</u>	0-13	<u>\$ 301,712</u>

	Ending Balance	Interest Rate (%)
Pegatron	\$ 15,439,232	0.12-2.5
SinoPac Securities	4,059,046	0-1.01
SinoPac Securities (Asia) Ltd.	1,720,251	0-2.52
Hydis Technologies Co., Ltd.	1,609,009	0.22-2.3
YuanHan Material	848,183	0.001-2.25
Hsin-Yi Foundation	758,860	0.01-2.8
Foundation of Fire Fighting Development	729,201	0-1.09
E Ink Holdings	519,866	0.001-1.065
SinoPac Capital International Limited	351,478	0-1.25
Chunghwa Telecom	300,000	0.58
Chi Lin Investment	298,020	0.07-1.065
China Color Printing	234,271	0.07-1.065
Sinopac Venture Capital	227,267	0.07-2.01
Taiwan Securities Association	206,651	0.15-1.09
Shin Foong Specialty And Applied Materials	199,740	0.07-1.065
Hsin Yi Recreation	183,592	0.07-2.9
Shin Yuan Investment	169,925	0.001-3
Yong Hsin Yi Enterprise	152,098	0.07-3
SinoPac Securities Investment Service	146,564	0-1.065
SPH	140,486	0-0.07
Yuen Foong Paper	130,144	0-1.12
Shen's Art Printing	110,004	0.07-2.2
Taiwan Riken Industrial	101,901	0-2.7
Others	<u>8,333,047</u>	0-13
	<u>\$ 36,968,836</u>	

19) Other liabilities

	December 31	
	2020	2019
Guarantee deposits received	\$ 10,795	\$ 12,171
Advance receipts	58	56

20) Revenues and expenses

	For the Year Ended December 31	
	2020	2019
Lease contracts - guarantee deposits interest revenue	\$ 306	\$ 331
Lease contracts - interest expenses	32,838	7,853
Commissions and fee revenues	138,114	84,529
Commissions and fee expenses	69,439	124,148
Realized gains on financial assets at fair value through other comprehensive income	16,253	50,226
Other revenues	16,459	19,611
Lease contracts - depreciation expenses		
SPL	58,800	113,791
Others	48,246	29,674
Other general and administrative expenses	171,406	197,102

21) Operating lease

The Bank as a lessee

	For the Year Ended December 31	
	2020	2019
Lease contracts - right of use, net		
SPL	\$ 675,064	\$ 724,539
Chunghwa Telecom	152,868	197,610
Others	16,814	3,575
Lease contracts - lease liability		
SPL	688,469	723,229
Chunghwa Telecom	154,074	198,183
Others	16,785	3,588

a) Guarantee deposits - 2020

Please refer to Note 41,b.13).

b) The guarantee deposits interest revenue, lease interest expense, lease depreciation expense and other lease expense (recognized as other operating expense), please refer to Note 41,b.20).

The Bank as a lessor

Lessee	Rental Income		Lease Term	Receiving Frequency
	For the Year Ended December 31			
	2020	2019		
SinoPac Securities	\$ 32,338	\$ 26,106	November 2025	Rentals received monthly
SinoPac Securities Investment Trust	9,761	13,439	July 2024	Rentals received monthly
SPL	6,533	6,354	July 2021	Rentals received monthly
Yuen Foong Shop	4,317	4,339	January 2021	Rentals received monthly
YFY Biotech	3,448	3,459	October 2025	Rentals received monthly
Others	7,469	11,047	April 2025	Rentals received monthly

Transactions between the Bank and the related parties are at arm's length commercial terms except for the preferential interest rates offered to employees for savings and loans up to prescribed limits.

Under the Banking Act, except for government and consumer loans, credit extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

c. Compensation of directors, supervisors and management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 226,704	\$ 229,666
Post-employment benefits	3,550	3,860
	<u>\$ 230,254</u>	<u>\$ 233,526</u>

The management personnel are composed of general manager, vice general manager and other employee whose job grade is higher than the former.

42. PLEDGED OR MORTGAGED ASSETS

In addition to those disclosed in other notes, pledged or restricted assets of the Bank are summarized as follows:

Restricted Assets	Object	December 31		Purposes
		2020	2019	
Due from the Central Bank and call loans to banks	Deposit reserve - demand accounts	\$ 5,000,000	\$ -	Note 1
Investment in debt instruments at amortized cost	Certificates of deposit	8,142,542	8,150,561	Note 2
Investment in debt instruments at amortized cost	Government bonds	1,379,738	1,360,328	Note 3
Discounts and loans	Loans	13,801,044	1,656,802	Note 4
Other financial assets	Certificates of deposit	2,629,944	2,593,440	Note 5

Note 1: The Bank undertakes loans for small and medium enterprises and applies to the Central Bank for guarantee loan refinancing, and provides the Central Bank with pledged reserve account deposits.

Note 2: Pledged in accordance with the Central Bank for foreign-exchange, with the Mega Bank for USD foreign-exchange settlement and with requirements of the California Department of Financial Institutions.

Note 3: Guarantees of dealing and underwriting business, a trust reserve fund, guarantees of bills financial service, reserve for payment of VISA international card, pledged to court as collaterals for filing provisional seizure and disposition and Hong Kong branch's clearing system of real-time gross settlement.

Note 4: Pledged with the Federal Reserve Bank under the discount window program.

Note 5: Pledged with intraday overdraft of settlement banks.

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. In addition to those disclosed in other notes, significant unrecognized commitments of the Bank as of December 31, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Trust assets	\$ 529,513,877	\$ 511,536,740
Securities under custody	169,305,568	152,803,693
Agent for government bonds	82,429,900	94,873,500
Receipts under custody	25,695,434	28,417,670
Guarantee notes payable	11,313,886	11,336,301
Agent for marketable securities under custody	7,499,160	10,932,600
Appointment of investment	3,204,791	3,057,796
Goods under custody	1,161,933	1,124,067
Travelers' checks consigned-in	-	151,268

As of December 31, 2020, in addition to above mentioned unrecognized commitments, the Bank and SinoPac Securities had applied for tax concessions to the Ministry of Finance regarding their technical support service expenditure relating to their financial transaction system, and had jointly signed to the system manufacturer the letter of indemnity of which the total compensation is not more than US\$1,300 thousand to obtain the proxy of the manufacturer thereof to apply for foresaid tax concession. The compensation distributable to the Bank is US\$867 thousand and to the SinoPac Securities is US\$433 thousand. The deadline for payment is December 31, 2027.

In order to continue the cooperation with National Cheng Kung University on the research about practical application of artificial intelligence and accelerate the digital transformation, the Bank continued to sign a three-year enterprise and industry cooperation and donation agreement effective from July 1, 2020 through June 30, 2023. As of December 31, 2020, the Bank recognized operating expense in the amount of \$44,000 and related payable in the amount of \$27,000 based on the renewed contract.

- b. The Bank entered into contracts to buy computers and office equipment for \$614,155 and \$708,298, of which \$414,144 and \$354,921 had not been paid as of December 31, 2020 and 2019.

c. Contingencies

- 1) The Securities and Futures Investors Protection Center (SFIPC) filed a lawsuit against the Bank and SinoPac Leasing Company's (SPL) subsidiary, Grand Capital International Limited (renamed as SinoPac Capital International Limited on October 4, 2018), on the ground that Procomp Informatics Ltd. (Procomp) deposited US\$10,000 thousand in the Bank's Shisung Branch (formerly Sungshan Branch) and placed a restriction on the use of this deposit as a condition for a short-term loan to Addie International Limited granted by SPL and for allegedly helping Yeh, Sue-Fei and Procomp do irregular trading. But at the same time, Procomp used the restricted deposit for fictitious sale transactions. Later, when problems on Procomp's account arose, the Bank and Grand Capital demanded compensation, which was taken from Procomp's account, resulting in damage to Procomp. The Bank was suspected of misleading investors by concealing the restricted status of Procomp's deposit and window dressing Procomp's financial statements. On behalf of investors, the SFIPC filed a lawsuit against the Bank, SPL and all other parties related to Procomp jointly. The amount of the claim was \$4,207,212 in total. Both the court of the first instance and the second instance ruled in favor of the Bank and SPL. The court believes that the Bank and SinoPac Leasing are not liable for the damage of Procomp as they do not hold rights and obligations to the edition, approval, recognition and announcement of Procomp's financial statements and the Bank and SinoPac Leasing did not conspire with Procomp to concealing the restricted status of Procomp. However, the SFIPC decided to file an appeal on January 20, 2016.

The Supreme Court reversed the declared judgement on July 26, 2017 and remanded the case to Taiwan High Court. The case is still under process. The SFIPC reduced their declaration to \$4,161,366, and once again reduced their declaration to \$4,161,219.

The Taiwan High Court ruled in favor of the Bank and SinoPac Leasing on May 7, 2019. However, the SFIPC decided to file an appeal to the Supreme Court on June 6, 2019.

- 2) The Bank dealt with Skwentex International Corporation (Skwentex) regarding Skwentex's receivables from Siltrontechnics Corporation. The relevant accounts receivable transaction involved suspected false cycle trading and was investigated by the Taiwan New Taipei District Prosecutors in 2015. This case was still under process by the Taiwan New Taipei District Prosecutors in 2016. Due to the abnormal and suspected unlawful accounts receivable transaction, the Bank cannot pay the consideration of accounts receivable to Skwentex in accordance with the credit contract. Skwentex sued the Bank in July 2017 and demanded a compensation of \$214,471. The Taiwan Taipei District Court ruled in favor of the Bank on February 27, 2020. Skwentex was dissatisfied and appealed in March 2020, currently under trial by Taiwan High Court.

44. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

a. The definition of the hierarchy:

1) Level one

Level 1 financial instruments are traded in active market and have the identical price for the same financial instruments. "Active market" should fit the following characteristics:

- a) All financial instruments in the market are homogeneous;
- b) Willing buyers and sellers exist in the market all the time;
- c) The public can access the price information easily.

2) Level two

The products categorized in this level have the prices that can be inferred from either direct or indirect observable inputs other than the active market's prices. Examples of these inputs are:

- a) Quoted prices from the similar products in the active market. This means the fair value can be derived from the current trading prices of similar products. It is also noted that whether they are similar products should be judged by the characteristics and trading rules. The fair value valuation in this circumstance may make some adjustment due to time lags, trading rule's differences, related parties' prices, and the correlation of price between itself and the similar instruments.
- b) Quoted prices for identical or similar financial instruments in inactive markets.
- c) When marking-to-model, the input of model in this level should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be attained from market and can reflect the expectation of market participants.
- d) Inputs which can be derived from other observable prices or whose correlation can be verified through other observable market data.

3) Level three

The fair prices of the products in this level are based on the inputs other than the direct market data.

b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

Financial Instruments Measured at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 68,765	\$ 68,765	\$ -	\$ -
Bonds	28,251,515	27,339,042	912,473	-
Others	4,347,109	-	4,347,109	-
Financial assets designated at fair value through profit or loss				
Bonds	2,655,588	2,655,588	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	11,577,644	9,219,153	1,158,061	1,200,430
Debt instruments at FVTOCI				
Bonds	136,402,511	89,561,677	45,002,118	1,838,716
Certificates of deposits purchased and others	182,648,873	-	182,648,873	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	1,520,769	-	1,520,769	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	19,012,873	50,856	18,684,071	277,946
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	18,971,616	196,553	17,893,528	881,535

Financial Instruments Measured at Fair Value	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Bonds	\$ 36,597,109	\$ 36,364,935	\$ 232,174	\$ -
Others	2,391,984	-	2,391,984	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	2,218,151	-	1,025,000	1,193,151
Debt instruments at FVTOCI				
Bonds	79,422,278	52,579,136	25,939,776	903,366
Certificates of deposits purchased and others	148,413,679	-	148,413,679	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	1,536,619	-	1,536,619	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	12,369,144	53,137	11,636,172	679,835
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	14,473,705	73,814	13,292,703	1,107,188

2) Fair value measurement technique

Financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income with quoted price in an active market are using market price as fair value; financial instruments above with no quoted price in an active market are estimated by valuation methods. The estimation and assumption of valuation method the Bank used is the same as market participants'. The Bank can obtain this information.

The basis of fair value estimation used by the Bank is as follows:

The fair value of forward contract, interest rate swap contracts and cross-currency swap contracts is measured by the discounted cash flow method; the fair value of option is measured by Black & Scholes Model.

Fair values of forward contracts are estimated on the basis of the foreign exchange rates provided by Reuters. Structured product is measured by opponents' price based on match basis. This method diminished market risk to zero. Fair value of interest rate swap contracts and cross-currency swap contracts are estimated on the basis of market quotation provided by Reuters.

Fair value is determined as follows: (a) domestic and overseas listed stocks, Taipei Exchange Stocks and Stocks of Real Estate Investment Trust - closing prices as of the balance sheet date; (b) beneficial certificates (open-end funds), net asset values as of the balance sheet date; (c) bonds - period-end reference prices published by the Taipei Exchange or internal model price; (d) bank debentures issued overseas and the overseas bonds-period-end reference prices published by Bloomberg, calculated through an internal model or provided by a counter-party.

The Bank assessed the active level of market and the adequacy of fair value of emerging stocks and measured the investments at fair value.

The Bank assessed the fair value of unlisted counters using the following method. The market method uses the price and other relevant information generated by the market transactions involving comparable or comparable assets, liabilities or assets and liabilities.

3) Credit risk valuation adjustment is set out below:

Credit risk valuation consists of credit valuation adjustment and debit valuation adjustment.

Credit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of counter party on fair value.

Debit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of the Bank on fair value.

The Bank calculated debit and credit valuation adjustment based on models with inputs of Probability of Default (PD) and Loss Given Default (LGD) multiplying Exposure at Default (EAD).

The Bank calculated EAD based on mark-to-market fair value of OTC derivative instruments.

The Bank takes 60% as the standard LGD of counter parties, and subject to change under the risk nature and data feasibility.

The Bank takes credit risk valuation adjustment into valuation of the fair value of financial instruments, thus reflect the credit quality of counter parties and the Bank.

4) Transfer between Level 1 and Level 2

For the year ended December 31, 2020, the Bank transferred part of the NTD government bonds, NTD corporate bonds, foreign corporate bonds and foreign bank debentures from Level 1 to Level 2 because the Bank determined these investments were not in an active market.

For the year ended December 31, 2019, the Bank transferred part of the foreign bank debentures from Level 1 to Level 2 because the Bank determined these investments were not in an active market.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the Year Ended December 31, 2020									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold (Note 1)	Transfer Out of Level 3		
Non-derivative financial instruments									
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	\$ 1,193,151	\$ -	\$ 76,430	\$ 8,553	\$ -	\$ (77,704)	\$ -	\$ -	\$ 1,200,430
Debt instruments at FVTOCI	903,366	-	(14,328)	997,793	-	-	-	(48,115)	1,838,716
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	679,835	(401,889)	-	-	-	-	-	-	277,946

For the Year Ended December 31, 2019									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3 (Note 2)	Disposed/Sold	Transfer Out of Level 3		
<u>Non-derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	\$ 3,219,887	\$ (169,275)	\$ -	\$ -	\$ 524,749	\$ (3,524,168)	\$ -	\$ (51,193)	\$ -
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	933,907	-	259,244	-	-	-	-	-	1,193,151
Debt instruments at FVTOCI	922,544	-	-	-	-	-	-	(19,178)	903,366
<u>Derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	1,430,750	(750,915)	-	-	-	-	-	-	679,835

Note 1: Including the reduced by the investee.

Note 2: Due to the reduced market activity of the securities, the lack of observable market data has led to transfer to Level 3.

For the years ended December 31, 2020 and 2019, the losses on valuation included in net income with assets still held were loss \$343,838 and \$336,394, respectively.

For the years ended December 31, 2020 and 2019, the gains on valuation included in other comprehensive income with assets still held were \$62,102 and \$259,244, respectively.

b) Reconciliation of Level 3 items of financial liabilities

For the Year Ended December 31, 2020								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Derivative financial instruments</u>								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 1,107,188	\$ (225,653)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 881,535

For the Year Ended December 31, 2019								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Derivative financial instruments</u>								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 1,210,463	\$ (103,275)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,107,188

For the years ended December 31, 2020 and 2019, the gains or losses on valuation results included in net income from liabilities still held were gain \$161,478 and loss \$77,347, respectively.

6) Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

Quantitative information about the significant unobservable inputs is set out below:

December 31, 2020

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
<u>Derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Hybrid FX swap structured instruments	\$ 270,401	\$ 270,239	Sellers' quote	(Note 1)	-
Others	<u>7,545</u>	<u>611,296</u>	Sellers' quote	(Notes 1 and 2)	-
	<u>\$ 277,946</u>	<u>\$ 881,535</u>			
<u>Non-derivative financial instruments</u>					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted common stock	<u>\$ 1,200,430</u>	<u>\$ -</u>	Market method or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	<u>\$ 1,838,716</u>	<u>\$ -</u>	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-

December 31, 2019

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
<u>Derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Hybrid FX swap structured instruments	\$ 591,299	\$ 590,945	Sellers' quote	(Note 1)	-
Others	<u>88,536</u>	<u>516,243</u>	Sellers' quote	(Notes 1 and 2)	-
	<u>\$ 679,835</u>	<u>\$ 1,107,188</u>			
<u>Non-derivative financial instruments</u>					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted common stock	<u>\$ 1,193,151</u>	<u>\$ -</u>	Market method or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	<u>\$ 903,366</u>	<u>\$ -</u>	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-

Note 1: On pairs of back-to-back transactions, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 2: Considering the risk model, the seller's quotation is provided for reference, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 3: Due to international bonds listed in the OTC market lack liquidity, no observable liquidity reduction factor could be obtained. Therefore, no disclosure has been made.

7) Valuation processes for fair value measurements categorized within Level 3

The Bank assesses the derivative financial instruments' fair values according to the quote by counterparties; related assessments are compiled as risk-control reports and inform the manager and the board of directors by month.

The risk management department is responsible for independent testify of fair value of non-derivative financial instruments. The team also use the independent source data to bring the assessment results closer to market conditions, confirm that data sources are independent, reliable, consistent with other resources and represent executable price, calibrate the evaluation model periodically and update input values and data required for the evaluation model to ensure the evaluation results are reasonable.

8) The sensitivity analysis of reasonable, possible and alternative hypothesis for the third level of fair value measurements

The Bank evaluates financial instruments reasonably, although using different valuation model and parameter may cause different valuation results. For financial instruments classified as Level 3, the fair value source used lacks observable input, i.e., liquidity reduction factor. If the change of estimated liquidity cost, estimated at 99% confidence interval and based on historical data of market turnover in the past two years, are included in the estimation, the impact on profit and loss is as follows:

December 31, 2020

Item	Changes in the Fair Value Reflected in Current Profit or Loss	
	Unfavorable Change	Favorable Change
<u>Asset</u> Financial assets at fair value through other comprehensive income Debt instruments at fair value through other comprehensive income	\$ (47,234)	\$ 47,234

December 31, 2019

Item	Changes in the Fair Value Reflected in Current Profit or Loss	
	Unfavorable Change	Favorable Change
<u>Asset</u> Financial assets at fair value through other comprehensive income Debt instruments at fair value through other comprehensive income	\$ (20,154)	\$ 20,154

c. Financial instruments not carried at fair value

1) Fair value information of financial instruments

Financial instruments not carried at fair value excluding the table below are reasonably close to their fair value, therefore no additional disclosure, for example: Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables, discounts and loans, some other financial assets, deposits from the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances and other financial liabilities.

Items	December 31, 2020	
	Carrying Amount	Fair Value
Debt instrument investments at amortized cost	\$ 162,368,434	\$ 167,684,891
Bank debentures	45,078,282	45,942,844

Items	December 31, 2019	
	Carrying Amount	Fair Value
Debt instrument investments at amortized cost	\$ 137,940,760	\$ 139,415,810
Bank debentures	33,019,751	33,466,786

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Debt instrument investments at amortized cost	\$ 167,684,891	\$ 57,444,722	\$ 110,240,169	\$ -
Bank debentures	45,942,844	1,000,495	27,742,049	17,200,300

Assets and Liabilities Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Debt instrument investments at amortized cost	\$ 139,415,810	\$ 51,741,668	\$ 87,674,142	\$ -
Bank debentures	33,466,786	2,198,402	20,067,484	11,200,900

3) Methods and assumptions applied in estimating the fair values of financial instruments not carried at fair value are as follows:

- The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables, some of other financial assets, deposits from the Central Bank and other banks, securities sold under repurchase agreements, payables and other financial liabilities approximate their fair value because of the short maturity or the similarity of the carrying amount and future price.
- Discounts and loans (including non-performing loans): The Bank usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate should estimate its fair value by its discounted value of expected cash flow. Because this kind of loans is not significant in this item, using its carrying amount to consider the probability of repossession and estimate its fair value should be reasonable.

- c) The debt instruments investments at amortized cost: Debt instruments investments at amortized cost with quoted price in an active market are using market price as fair value; debt instruments investments at amortized cost with no quoted price in an active market are estimated by valuation methods or opponent's price.
- d) Deposits and remittances: Considering banking industry's characteristic, since deposits have one-year maturity and measured by market rate (market value), using carrying value to assess fair value is reasonable. For deposits with three-year maturity are measured by discounted cash flow, using carrying value to assess fair value is reasonable.
- e) Bank debentures: Bank debentures with quoted price in an active market are using market price as fair value; bank debentures with no quoted price in an active market are estimated by valuation methods or quotes from counterparties.
- f) Investment accounted for using the equity method: The fair value of unquoted equity investments cannot be reliably measured because it has no quoted price in an active market, the variability interval of fair value measurements is significant or the probability of the estimations in the variability interval cannot be reasonably assessed. Hence, the fair value is not disclosed.

45. FINANCIAL RISK MANAGEMENT

a. Overview

The Bank documents the risk management policies, including overall operating strategies and risks control philosophy. The Bank's overall risk management policies are to minimize the possibility of potential unfavorable factors. The board of directors approves the documentation of overall risk management policies and specific risk management policies; including credit risk, liquidity risk, market risk, operational risk, derivative instruments transactions and managements. The board of directors reviews the policies regularly, and reviews the operation to make sure the Bank's policies are executed properly.

b. Risk management framework

The board of directors is the top risk supervisor of the Bank. The board not only reviewed risk management policies and rules but also authorized management to be in charge of daily risk management work. The Bank has set up a risk management committee under the chairman of the Board to be responsible for the services above; the Bank has also set up a credit committee to review the policies and supervise the abnormal cases. The credit committee also helps the board of directors approve cases over general manager's authority under the board's authorization.

The board of directors authorized the Bank's management to supervise risk management activities, evaluate the performance and confirm every risk management agent having essential code of ethic and professional skills. Internal audit is responsible for the periodic review of risk management and the control environment, then reports the results directly to the board of directors.

The Bank has set up a risk management department to control risk management policies, establish rules, plan and set up risk management system. The risk management department executes these policies based on the board's approval, then reports the results and performance reviews to the authority or the board.

c. Credit risk

1) Sources and definitions of credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from lending, trade finance, treasury, and credit derivatives. The issuer's credit risk should be considered as part of the market risk when the investment target is securities in an active market.

2) Policies and strategies

The Bank established policies based on operating goals and strategies, business plans and risk management goals authorized by the board of directors. These policies were established to lower potential financial losses, minimize risks and rewards to raise the performance and protect shareholders' equity through appropriate managing policies and procedures based on risk-diversification principle.

The Bank's risk strategy is to strengthen the credit risk management framework, establish complete credit verification system and procedure, develop and use efficient and scientific credit risk managing instruments to identify, measure, manage and supervise credit risks. These strategies transparentize, systematize, specialize and formalize credit risk management to manage loans, non-performing assets and every kind of assets' credit risk.

The Bank has set up policies of main risks as prime direction based on legislations and operational goals. These policies include risk appetite, management goals, organization structure of responsibility and accountability, measurement, evaluation, supervision and report procedure of risks. These policies are established to reach the purposes of consistency and centralized management and are put into practice in corporate government.

Credit risk management procedures and measurements are as follows:

a) Loan business (includes loan commitment and guarantee)

Loan business classification and qualities are shown as follows:

i. Classification

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" (the Regulations) issued by the Banking Bureau, the Bank evaluates credit losses on the basis of the estimated collectability. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. In order to manage credit problem, the Bank issued "Evaluate Assets and Deal with Non-performing/Non-accrual Loans" for managing credit problem and debt collection.

ii. Credit quality level

The Bank sets up credit quality level (ex. internal credit risk assessment model, credit assessment rules) based on business characteristic and scale to manage risks.

In order to measure clients' credit risks, the Bank established credit risk assessment model for corporate banking, personal banking and consumer banking through statistic methods, professional judgment and clients' information. Every model should be reviewed regularly to examine whether the calculations match to the actual conditions or not, then the Bank will adjust parameters to optimize the results.

For personal banking and consumer banking customers, every case will be reviewed individually to assess default risks except that micro-credit and credit card business should be assessed by internal credit assessment model.

b) Investment business

The Bank manages and identifies credit risks of debt investment through credit ratings by outsiders, credit qualities of the debt, regional conditions and counterparties' risks.

The Bank carry out derivative instrument transactions with counterparties in financial industry which are almost above the investment level. The Bank would control credit risks based on counterparties' credit lines; counterparties with no credit ratings or at non-investment level should be reviewed individually. Normal customers' credit exposure positions should be controlled by approved derivative instrument credit line and condition based on normal credit procedure.

3) Credit risk hedge or mitigation policies

a) Collateral

The Bank has set up several standards dealing with credit exposures and collateral requirements in order to mitigate credit risks and maintain creditor's rights. The standards cover areas such as disposal of collateral, acceptance of real estate as collateral, real estate appraisal; credit policies for every commodity to regulate collateral categories, appraisals, procedures, deduction percentages, loan rate, loan-to-value ratio, maturity analysis, control, and management.

To maintain collateral's effectiveness, the Bank supervises and manages the collateral by examining the usage, custody and maintenance of collateral regularly and irregularly to avoid selling, leasing, pledging, moving and disposing collaterals without authorization. Once the loan is due but will be extended, the contract should be seen as a new case and the collateral should be revalued.

b) Credit risk limits and credit risk concentration control

The Bank manages credit line and concentration of credit assets through appropriate information managing system that gathers information on credit exposure to centralized conditions, exposure of credit asset combinations, including national risk, large credit exposure, credit line of single corporation, group and industry. For cases approaching credit limit, the concerned unit should report to management and make control strategies; for cases exceeding credit limit, the management should take appropriate action and the Bank should review the credit approval process and authorization level.

c) Agreement of net settlement

The Bank often makes gross settlement on transactions, sign net settlement contract with other counterparties or cancel every transactions and make net settlement when default occurs to mitigate credit risk.

4) The determination since the initial recognition of the credit risk has increased significantly

a) Loan business

The Bank assess the change in the probability of default of various credit assets during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition.

In order to make this assessment, the main consideration is reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information), key indicators include:

i. Quantitative indicators

Information on overdue conditions: When the contractual payments were overdue for more than 30 days to overdue 89 days, it has been determined that credit risk of the financial assets after the initial recognition was significantly increased.

ii. Qualitative indicators

i) Although the loan has not been repaid or due on the maturity date, there are other bad debts and the asset classification is not normal.

ii) The loan review report belonging to an abnormal credit.

iii) The credit card transaction with the Bank is abnormal.

On the basis of various credit asset evaluation benchmark days of the Bank, if the credit risk does not increase significantly and not belong to an impaired financial asset, it can be determined that the credit risk does not increase significantly after the initial recognition.

b) Investment business

The Bank adopts external credit rating scales to measure whether the credit risk after the initial recognition is significantly increased for debt instrument measured at amortized cost and debt instrument measured at fair value through other comprehensive income. The external credit rating is determined by international credit rating agency. When the external credit rating changes and the following situations occur, the credit risk is regarded to have significantly increased after the initial recognition.

i. From investment grade (Aaa-Baa3) to non-investment grade (Ba1 (inclusive) or less, without Ca-D)

ii. From grade Ba1-Ba3 to grade B1-Caa3

iii. The bonds in grade B1-Caa3 at initial recognition.

Credit	Moody's	S&P	Fitch	Taiwan Ratings	Fitch (Taiwan)
First grade	Aaa	AAA	AAA		
	Aa1	AA+	AA+		
	Aa2	AA	AA		
	Aa3	AA-	AA-		
	A1	A+	A+	twAAA	AAA (tw)
	A2	A	A	twAA+	AA+ (tw)
	A3	A-	A-	twAA	AA (tw)
	Baa1	BBB+	BBB+	twAA-	AA- (tw)
	Baa2	BBB	BBB	twA+	A+ (tw)
	Baa3	BBB-	BBB-	twA	A (tw)
Second grade	Ba1	BB+	BB+	twA-	A- (tw)
	Ba2	BB	BB	twBBB+	BBB+ (tw)
	Ba3	BB-	BB-	twBBB	BBB (tw)
				twBBB-	BBB- (tw)
Third grade	B1	B+	B+	twBB+	BB+ (tw)
	B2	B	B	twBB	BB (tw)
	B3	B-	B-	twBB-	BB- (tw)
				twB+	B+ (tw)
				twB	
	Caa1	CCC+	CCC+	twB-	B (tw)
	Caa2	CCC	CCC	twCCC+	B- (tw)
	Caa3	CCC-	CCC-	twCCC	CCC+ (tw)
Fourth grade	Ca	CC	CC	twCCC-	CCC (tw)
	C	C	C	twCC	CCC- (tw)
		SD	DDD	twC	CC (tw)
		D	DD	twSD	C (tw)
		R	D	twD	DDD (tw)
				twR	DD (tw)
					D (tw)
	P-1	A-1	F-1		
	P-2	A-2	F-2	twA-1	F1 (tw)
	P-3	A-3	F-3	twA-2	F2 (tw)

The external rating of each credit rating agency refers to the conversion chart of Basel III.

If a bond has multiple credit ratings, the lowest rating of such bond will be taken as its credit rating; if the bond itself has no credit rating, the guarantor's credit rating will be taken; if there is no guarantor, the issuer's credit rating will be taken. If the bond's, guarantor's, or issuer's external credit rating is not available, the external rating of the bond is based on the internal rating of the bond in SinoPac Holdings.

5) Definition of financial asset default and credit impairment

The Bank's definition of financial asset default is the same as financial asset credit impairment. If one or more of the following conditions are satisfied, the Bank determines that the financial asset has defaulted and has credit impairment.

a) Quantitative indicators

Principal or interest is overdue for more than three months.

b) Qualitative indicators

If there is evidence that the debtor will not be able to pay the contract money, or the debtor is facing significant financial difficulties, for examples:

- i. The main debtor has been chased, or the collateral has been disposed of.
- ii. The main debtor has not paid short-term advance to the Bank.
- iii. The debtor applies for debt negotiation, debt extension and debt restructuring, etc. due to financial difficulties.
- iv. Other situation with objective evidence of impairment.

Bond investment belongs to credit ratings Ca-D bonds when the following situations occur:

- i. The issuer probably cannot repay the principal or interest on the bond maturity date.
- ii. It could be objectively judged that the issuer will not be able to repay the principal and interest of the bond on time before maturity.
- iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.
- iv. The issuer encounters bankruptcy or being reorganized or taken over due to financial difficulties before bond maturity.

The above definition of default and credit impairment applies to all financial assets held by the Bank. It is consistent with the definition of relevant financial assets for internal credit risk management applying to relevant impairment assessment model as well.

6) Write-off policy

If one of the following situations occurred, overdue and non-performing loans of the Bank, after deducting any estimated recoverable part, will be written off as bad debts.

- a) All or part of the creditor's right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
- b) The values of collateral and properties of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed the bank's reimbursable amount.
- c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneficial to the Bank.
- d) Overdue and non-performing loans have not been recovered after more than 2 years from the maturity date.

The Bank has procedures for recording accounts written-off and for keeping such records for inspection. Relevant business department continues to watch for movements of the main and subordinate debtors all the time. If there is any property available for execution, the Bank will take appropriate legal action.

7) Amendment to financial asset contract cash flows

The Bank will amend financial asset contract cash flows when borrowers are in financial difficulties, as a result of improvement of problematic debtors' recovery rate or for maintenance of customer relationships. Financial asset contract cash flows amendment include extension of contract period, interest payment date modification, contract interest modification, or exemption from certain requirements of part of debts. The amendment could result in the Bank's disposal of existing financial asset and recording of new financial asset at fair value.

If the modification of the contractual cash flows of financial asset does not result in derecognition of asset, the Bank will assess whether the credit risk of financial asset has increased significantly by comparing the following:

- a) Risk of breaching the contract on the reporting date (based on revised contract terms)
- b) The probability of default in the original recognition (based on the original unmodified contract terms)

The Bank will consider the borrower's subsequent payment in accordance with the revised terms and several relevant behavior indicators to assess the probability of default on the revised financial asset, and confirm whether the contract modification improves or restore the Bank's ability to recover related contract payments.

8) Measurement of Expected Credit Losses

For the purpose of measuring expected credit losses, the Bank will look into the business attributes of the credit assets (such as corporate finance, personal finance, consumer finance, e-finance, etc.) as well as the size of the company, types of collateral, and remaining period of maturities, etc. and group the credit risk characteristics into three stages: No significant increase in credit risk (stage 1), significant increase in credit risk (stage 2), and credit impairment (stage 3) according to the credit risk level at the valuation date.

The Bank provides allowance for 12-month expected credit losses when financial instruments did not have a significant increase in credit risk since the initial recognition. Financial instruments are provided with allowance for full-lifetime expected credit losses when there is significant increase in credit risk or credit impairment since the initial recognition.

To measure expected credit losses, the Bank takes into account the borrower's probability of default ("PD") for the next 12 months and for the period of existence, and includes loss given default ("LGD"), and exposure at default ("EAD") taking into account the impact of the time value of money. The expected credit losses for 12 months and for full-lifetime are calculated.

The Bank assesses the amount of Exposure at default of lending based on outstanding loan principal of customers, interest receivable and short-term advances at the end of each period. In addition, when estimating the expected credit losses of lending financing commitments, Exposure at default used to calculate expected credit losses is determined based on the conditions and days of the financing commitment and by reference to the credit risk conversion factor of Basel Capital Accord.

Probability of default is the default probability of the borrower, and the default loss rate is the rate of loss caused by default of the borrower. The default probability and default loss rate used in the impairment assessment and calculation of expected credit losses of the Bank loan business are based on internal historical information (such as credit loss experience, etc.) of each borrower group, with adjustments to the historical data based on the current observable data and forward-looking economic information. The expected loss of debt instrument investment is calculated according to the default rate information and external recovery rate information published by the external credit rating agencies.

9) Forward-looking information considerations

a) Credit assets

The Bank takes forward-looking information into account when determining whether the credit risk of the credit assets has increased significantly since the initial recognition and measures the expected credit losses. The impact of COVID-19 was also considered in the forward-looking information in 2020. The Bank uses historical data and expert judgments to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset groups, such as GDP and unemployment rate. The Bank obtains quarterly historical data and forecast information of the relevant economic factors from international financial organizations (such as the International Monetary Fund (IMF)). This forecast information contains the best estimate of the economic situation in the next five years.

The relevant economic factors and their impact on PD differ among different credit business. The Bank classifies credit product types as:

- i. Enterprise, sovereignty, and bank credit exposure.
- ii. Home Mortgage Insurance credit exposure.
- iii. Qualified cycling retail credit exposure.
- iv. Other retail credit exposure.

With reference to the Basel Capital Accord IRB method, the correlation coefficient of various types of credit products and risk category is calculated and forward-looking information is used to adjust the default probability.

b) Investment business

For the debt instrument investment measured at amortized cost and measured at fair value through other comprehensive income, one of the indicators of significant increase in credit risk is the quantified change in the external rating class announced by the international credit rating agencies, and the measurement of expected credit losses is based on the information of the default ratings and loss given default regularly announced by external rating agencies and international credit rating agencies.

As international credit rating agencies have considered forward-looking information in assessing credit ratings, the Bank's assessment of forward-looking information is appropriate, and is included in the Bank's assessment of expected credit losses.

10) The maximum credit exposure of the financial instruments held by the Bank.

Maximum credit exposures of assets on balance sheet (excluding collaterals and other credit enhancement instruments) are almost equivalent to the carrying value. The maximum credit exposures (excluding collaterals, other credit enhancement instruments and undrawn maximum exposure) off balance sheet are shown as follows:

Off-Balance Sheet Items	The Maximum Credit Exposure	
	December 31, 2020	December 31, 2019
Undrawn credit card commitments	\$ 197,690,182	\$ 178,670,179
Undrawn loan commitments	36,626,324	33,254,658
Guarantees	30,760,005	19,571,738
Standby letter of credit	5,433,471	3,334,114

The Bank adopt a strict and continuous evaluation procedure and review the result regularly to control and minimize off-balance sheet credit risk exposures.

The contract amount in the credit business and financial instruments may not be fully paid before the maturity; therefore, the contract amount is not deemed as the amount of future cash outflow. In other words, the future cash demand is lower than contract amount. If the credit limit is exceeded and collaterals lose their value, the amount of credit risk is equal to the contract amount which is the possible maximum loss.

11) Credit risk exposures concentration of the Bank

When financial instruments transactions concentrated on one counter-party or several counter-parties, which engaged in similar business activities, had similar economic characteristics and abilities to execute contracts, the credit risk concentration arises.

Credit risk concentrations can arise in the Bank's assets, liabilities or off-balance sheet items through the execution or processing of transactions (either product or service) or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to banks, investment, receivables and derivatives. The Bank maintains a diversified portfolio to limit its exposure to any geographic region, country or individual creditor and monitor its exposures continually. The Bank's most significant concentrations of credit risk are summarized by industry, region and collateral as follows:

a) By industry

Industries	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Private enterprise	\$ 509,869,123	45.29	\$ 452,155,073	45.58
Public enterprise	3,884,004	0.34	5,546,660	0.56
Government sponsored enterprise and business	44,352,603	3.94	5,920,883	0.60
Nonprofit organization	208,833	0.02	268,580	0.03
Private	558,253,076	49.59	516,960,053	52.12
Financial institutions	9,253,940	0.82	11,033,223	1.11
Total	\$ 1,125,821,579	100.00	\$ 991,884,472	100.00

b) By region

Regions	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Domestic	\$ 933,500,404	82.92	\$ 833,900,001	84.07
Asia	82,935,826	7.37	77,221,986	7.79
North America	72,737,224	6.46	51,714,212	5.21
Others	36,648,125	3.25	29,048,273	2.93
Total	\$ 1,125,821,579	100.00	\$ 991,884,472	100.00

c) By collateral

Collaterals	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Credit	\$ 382,900,554	34.01	\$ 310,724,029	31.33
Secured				
Stocks	5,940,428	0.53	4,756,937	0.48
Bonds	15,316,260	1.36	16,419,727	1.65
Real estate	666,791,489	59.23	610,904,827	61.59
Movable collaterals	44,035,673	3.91	36,495,270	3.68
Guarantees	2,204,359	0.19	3,542,926	0.36
Others	8,632,816	0.77	9,040,756	0.91
Total	\$ 1,125,821,579	100.00	\$ 991,884,472	100.00

d) Credit risk exposure rating

	Principal				Allowance			The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Non-accrual Loans	Total
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
December 31, 2020									
Discounts and loans									
Corporate banking	\$ 576,319,296	\$ 1,633,616	\$ 3,584,931	\$ 581,537,843	\$ 1,585,544	\$ 745,597	\$ 773,501	\$ 4,115,807	\$ 7,220,449
Consumer banking	538,566,804	4,376,940	1,339,992	544,283,736	213,181	287,605	225,802	6,660,382	7,386,970
Receivables									
Credit card	18,097,575	216,740	795,515	19,109,830	8,588	9,986	31,171	151,564	201,309
Accounts receivable - factoring (Note 1)	7,574,317	-	-	7,574,317	7,939	-	-	121,173	129,112
Other receivable (Note 2)	15,891,559	19,325	284,302	16,195,186	9,774	3,605	238,517	125,492	377,388
Debt instruments at fair value through other comprehensive income	319,051,384	-	-	319,051,384	61,030	-	-	-	61,030
Investment in debt instruments at amortized income	162,380,325	-	-	162,380,325	11,891	-	-	-	11,891

	Principal				Allowance			The Adjustments Under Regulations Governing the Procedures for Instituting to Evaluate Assets and Deal with Non-performing Non-accrual Loans	Total
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
December 31, 2019									
Discounts and loans									
Corporate banking	\$ 473,060,701	\$ 1,998,551	\$ 2,853,613	\$ 477,912,865	\$ 889,584	\$ 577,373	\$ 629,591	\$ 4,564,035	\$ 6,660,583
Consumer banking	508,058,024	4,316,838	1,596,745	513,971,607	69,516	141,529	247,230	6,393,788	6,852,063
Receivables									
Credit card	17,140,371	229,254	868,820	18,238,445	3,430	4,949	55,254	147,530	211,163
Accounts receivable - factoring (Note 1)	9,763,567	-	-	9,763,567	2,209	-	-	139,457	141,666
Other receivable (Note 2)	13,945,219	15,858	341,287	14,302,364	4,960	2,957	278,435	87,601	373,953
Debt instruments at fair value through other comprehensive income	227,835,957	-	-	227,835,957	33,173	-	-	-	33,173
Investment in debt instruments at amortized income	137,948,794	-	-	137,948,794	8,034	-	-	-	8,034

Note 1: Accounts receivable - factoring and accounts payable - factoring are offset and presented net.

Note 2: Other receivable contains non-performing receivables transferred other than loan included in other financial assets.

12) The allowance for credit losses of the Bank

Changes in allowance for discounts and loans

For the Year Ended December 31, 2020	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 959,100	\$ 718,902	\$ 876,821	\$ 2,554,823	\$ 10,957,823	\$ 13,512,646
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(15,312)	1,429,127	(92,619)	1,321,196	-	1,321,196
From conversion to credit-impaired financial assets	(7,965)	(609,892)	1,061,628	443,771	-	443,771
To 12-month ECL	3,250	(255,440)	(30,551)	(282,741)	-	(282,741)
Derecognizing financial assets during the current period	(3,295,300)	(2,101,029)	(496,730)	(5,893,059)	-	(5,893,059)
Purchased or originated new financial assets	4,268,927	1,833,348	269,467	6,371,742	-	6,371,742
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	190,549	190,549
Write-off	(9)	-	(865,452)	(865,461)	(330,770)	(1,196,231)
Changes in model/risk parameters	(62,675)	22,473	3,936	(36,266)	-	(36,266)
Effect of exchange rate changes and others	(51,291)	(4,287)	272,803	217,225	(41,413)	175,812
Balance, December 31	\$ 1,798,725	\$ 1,033,202	\$ 999,303	\$ 3,831,230	\$ 10,776,189	\$ 14,607,419

For the Year Ended December 31, 2019	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 1,294,828	\$ 318,552	\$ 1,036,959	\$ 2,650,339	\$ 10,115,562	\$ 12,765,901
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(6,145)	884,156	(72,130)	805,881	-	805,881
From conversion to credit-impaired financial assets	(3,795)	(305,468)	653,569	344,306	-	344,306
To 12-month ECL	1,531	(198,497)	(394)	(197,360)	-	(197,360)
Derecognizing financial assets during the current period	(2,224,066)	(285,646)	(402,866)	(2,912,578)	-	(2,912,578)
Purchased or originated new financial assets	1,917,445	297,804	143,612	2,358,861	-	2,358,861
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	1,333,718	1,333,718
Write-off	-	-	(397,493)	(397,493)	(460,393)	(857,886)
Changes in model/risk parameters	(12,323)	12,945	(80,843)	(80,221)	-	(80,221)
Effect of exchange rate changes and others	(8,375)	(4,944)	(3,593)	(16,912)	(31,064)	(47,976)
Balance, December 31	\$ 959,100	\$ 718,902	\$ 876,821	\$ 2,554,823	\$ 10,957,823	\$ 13,512,646

Changes in allowance for receivable

For the Year Ended December 31, 2020	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 10,599	\$ 7,906	\$ 333,689	\$ 352,194	\$ 374,588	\$ 726,782
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(220)	29,524	(5,385)	23,919	-	23,919
From conversion to credit-impaired financial assets	(25)	(19,532)	71,094	51,537	-	51,537
To 12-month ECL	36	(3,878)	(105)	(3,947)	-	(3,947)
Derecognizing financial assets during the current period	(57,908)	(3,644)	(21,367)	(82,919)	-	(82,919)
Purchased or originated new financial assets	68,823	3,837	767	73,427	-	73,427
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	118,537	118,537
Write-off	(3)	(284)	(125,795)	(126,082)	(88,001)	(214,083)
Changes in model/risk parameters	5,522	(316)	(2,698)	2,508	-	2,508
Effect of exchange rate changes and others	(523)	(22)	19,488	18,943	(6,895)	12,048
Balance, December 31	\$ 26,301	\$ 13,591	\$ 269,688	\$ 309,580	\$ 398,229	\$ 707,809

For the Year Ended December 31, 2019	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 18,930	\$ 5,705	\$ 369,656	\$ 394,291	\$ 499,687	\$ 893,978
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(103)	16,510	(5,742)	10,665	-	10,665
From conversion to credit-impaired financial assets	(15)	(11,161)	85,345	74,169	-	74,169
To 12-month ECL	28	(3,084)	(189)	(3,245)	-	(3,245)
Derecognizing financial assets during the current period	(30,241)	-	(71,626)	(101,867)	-	(101,867)
Purchased or originated new financial assets	22,203	296	33,823	56,322	-	56,322
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	(48,041)	(48,041)
Write-off	(2)	(147)	(70,452)	(70,601)	(73,803)	(144,404)
Changes in model/risk parameters	(162)	(192)	(1,745)	(2,099)	-	(2,099)
Effect of exchange rate changes and others	(39)	(21)	(5,381)	(5,441)	(3,255)	(8,696)
Balance, December 31	\$ 10,599	\$ 7,906	\$ 333,689	\$ 352,194	\$ 374,588	\$ 726,782

Note: The amounts of receivables include other financial assets' non-performing loans transferred from loans.

Change in allowance for debt instrument at fair value through other comprehensive income

For the Year Ended December 31, 2020	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 33,173	\$ -	\$ -	\$ 33,173
Purchased new debt instrument	33,910	-	-	33,910
Derecognized	(12,190)	-	-	(12,190)
Model/risk parameters changes	2,871	-	-	2,871
Effect of exchange rate changes and others	<u>3,266</u>	<u>-</u>	<u>-</u>	<u>3,266</u>
Balance December 31	<u>\$ 61,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,030</u>

For the Year Ended December 31, 2019	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 23,852	\$ -	\$ -	\$ 23,852
Purchased new debt instrument	22,032	-	-	22,032
Derecognized	(10,178)	-	-	(10,178)
Effect of exchange rate changes and others	<u>(2,533)</u>	<u>-</u>	<u>-</u>	<u>(2,533)</u>
Balance December 31	<u>\$ 33,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,173</u>

Change in allowance for debt instrument at amortized cost

For the Year Ended December 31, 2020	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 8,034	\$ -	\$ -	\$ 8,034
Purchased new debt instrument	3,004	-	-	3,004
Derecognized	(525)	-	-	(525)
Model/risk parameters changes	391	-	-	391
Effect of exchange rate changes and others	<u>987</u>	<u>-</u>	<u>-</u>	<u>987</u>
Balance December 31	<u>\$ 11,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,891</u>

For the Year Ended December 31, 2019	Credit Rating			Total
	12-months ECL	Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 6,233	\$ -	\$ -	\$ 6,233
Purchased new debt instrument	7,042	-	-	7,042
Derecognized	(4,308)	-	-	(4,308)
Effect of exchange rate changes and others	<u>(933)</u>	<u>-</u>	<u>-</u>	<u>(933)</u>
Balance December 31	<u>\$ 8,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,034</u>

13) The financial impact of credit risk mitigation policies

a) Collateral and other credit enhancements

The Bank implements a series of policies and measures to reduce credit risk for loan business; one of the commonly used methods is to require borrowers to provide collateral. The Bank has designed and follows procedures for enforcing rights to collateral and the valuation, management, and disposal of collateral. The main types of collateral for financial assets of the Bank are as follows:

- i. Real estate mortgage loan.
- ii. Derivatives margin agreement.

The credit contract has provisions for the preservation of debts and guarantees, which clearly define that when credit incidents occur, the Bank is able to reduce the credit limit, shorten the loan repayment deadline or treat all of them as due, so as to reduce the credit risk.

Other collateral for non-loan business depends on the nature of the financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-pooled financial instruments.

There was no material change in the collateral policy of the Bank, and there was no significant change in the overall collateral quality on the balance sheet date.

b) Amount of collateral for impaired financial assets

The Bank closely observes the value of the collateral of the financial instruments and considers adequacy of the allowance for the credit-impaired financial assets. On December 31, 2020 and 2019, the amount of discounts and loans were \$4,924,923 and \$4,450,358, with a provision for loss allowance of \$999,303 and \$876,821 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to \$2,082,399 and \$2,789,473.

c) The contracted amount of financial assets that have been written off and still have recourse activities

As of December 31, 2020 and 2019, the contracted amount of financial assets that have been written off by the Bank and still have recourse activities is \$46,629,546 and \$47,022,061.

14) Management policies of collaterals assumed

Collaterals assumed are classified as other assets. According to regulations, the Bank should dispose of collaterals within four years. There are no assumed collaterals of the Bank as of December 31, 2020 and 2019, respectively.

15) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Overdue loans and receivables

Date			December 31, 2020				
Items			Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 471,944	\$ 222,296,550	0.21%	\$ 2,918,173	618.33%
	Unsecured		280,701	359,241,293	0.08%	4,302,276	1,532.69%
Consumer loan	Mortgage (Note 4)		277,420	299,969,781	0.09%	4,620,614	1,665.57%
	Cash card		27	3,995	0.68%	107	396.30%
	Micro credit (Note 5)		69,336	23,679,481	0.29%	362,634	523.01%
	Others (Note 6)	Secured	457,503	218,269,353	0.21%	2,377,479	519.66%
		Unsecured	945	2,361,126	0.04%	26,136	2,765.71%
Total			1,557,876	1,125,821,579	0.14%	14,607,419	937.65%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			23,498	19,109,830	0.12%	201,309	856.71%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	10,364,469	-	129,112	-

Date			December 31, 2019				
Items			Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 639,963	\$ 187,393,578	0.34%	\$ 2,588,709	404.51%
	Unsecured		356,816	290,519,287	0.12%	4,071,874	1,141.17%
Consumer loan	Mortgage (Note 4)		469,156	290,877,699	0.16%	4,442,885	947.00%
	Cash card		13	5,842	0.22%	14,204	109,261.54%
	Micro credit (Note 5)		62,651	20,263,420	0.31%	212,922	339.85%
	Others (Note 6)	Secured	583,291	200,347,184	0.29%	2,153,894	369.27%
		Unsecured	4,249	2,477,462	0.17%	28,158	662.70%
Total			2,116,139	991,884,472	0.21%	13,512,646	638.55%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			47,999	18,238,445	0.26%	211,163	439.93%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	12,024,130	-	145,552	-

Note 1: For loan business: Overdue loans represent the amounts of overdue loans reported in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL ratio = NPL ÷ Total loans.

For credit card business: Delinquency ratio = Overdue receivables ÷ Accounts receivables.

Note 3: For loan business: Coverage ratio = LLR ÷ NPL.

For credit card business: Coverage ratio = Allowance for credit losses ÷ Overdue receivable.

Note 4: Household mortgage loan is a financing to be used by a borrower to buy, build, or fix a dwelling, and the dwelling owned by the borrower, spouse, or children is used to fully secure the loan.

Note 5: Micro credit loan is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950) and is not credit and debit cards' micro credit loan.

Note 6: Others in consumer loans refers to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.

Note 7: For accounts receivable - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 0945000494), which is equal to dated August 24, 2009 (Ref. 09850003180), and allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

Note 8: Part of non-performing receivables transferred from other than loans were included.

b) Excluded NPLs and excluded overdue receivables

Date	December 31, 2020		December 31, 2019	
Items	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreement (Note 1)	\$ 787	\$ 34,687	\$ 1,132	\$ 49,098
As a result of consumer debt clearance (Note 2)	18,995	648,216	13,072	663,475
Total	\$ 19,782	\$ 682,903	\$ 14,204	\$ 712,573

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreement is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs, pre-mediation and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

c) Concentration of credit extensions

Year	December 31, 2020		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (packaging and testing of semi-conductors)	\$ 12,022,746	8.61
2	B Group (manufacture of computers)	10,589,019	7.58
3	C Group (real estate development activities)	6,377,786	4.57
4	D Group (manufacture of passive electronic components)	4,408,850	3.16
5	E Group (manufacture of liquid crystal panel and components)	4,340,808	3.11
6	F Company (other metalworking activities)	4,300,000	3.08
7	G Group (rolling and extruding of iron and steel)	4,114,833	2.95
8	H Group (water transportation)	3,968,591	2.84
9	I Group (metal casting)	3,912,517	2.80
10	J Group (real estate development activities)	3,528,000	2.53

Year	December 31, 2019		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (other holding companies)	\$ 9,172,083	6.86
2	B Group (manufacture of computers)	7,032,824	5.26
3	C Group (manufacture of computers)	6,799,043	5.09
4	D Group (manufacture of liquid crystal panel and components)	5,801,644	4.34
5	E Group (rolling of extruding of iron and steel)	5,332,607	3.99
6	F Group (metal casting)	4,243,672	3.17
7	G Company (other metalworking activities)	3,500,000	2.62
8	H Group (real estate development activities)	3,278,000	2.45
9	I Group (amusement and recreation activities)	3,211,200	2.40
10	J Company (water transportation)	2,559,456	1.91

Note 1: Ranking of top 10 groups (excluding government or state - owned utilities) whose total credit consists of loans.

Note 2: Groups were those as defined in Articles 6 of the Supplementary Provision to the Taiwan Stock Exchange Corporation's Rules for Review of Securities Listings Law.

Note 3: Total credit is the sum of all loans (including import and export bills negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and non-performing loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantee deposit issued.

d. Liquidity risk management

1) Definition of liquidity risk

Liquidity is the Bank's ability to provide sufficient funding for asset growth and matured liabilities. Liquidity risk means the risk banks cannot obtain sufficient fund with reasonable cost and correct timing, and then suffer losses on earnings or capital.

The measures of enhancing cash liquidity are holding sufficient cash and highly liquid able securities, adjusting maturities differences, savings absorption or arranging borrowings, etc.

a) Strategies

The Bank established a sound liquidity risk managing system based on business' scale and characteristic, assets and liabilities' structure, funding strategies and diversity of funding sources to ensure it would have sufficient funding for obligations in normal or worst scenario.

b) Risk measurement

The Bank uses quantitative analysis to manage liquidity risk. Cash flow deficit and liquidity management goals are used as measure instruments to report monthly the analysis results to the assets and liabilities managing committee.

Stress testing is done to ensure the Bank would have sufficient funding for asset growth and matured liabilities despite any internal operating problems or adverse changes in the financial environment.

c) Risk monitoring

The Bank established a liquidity deficit limit and an early warning system to detect liquidity risk and take appropriate action at the right time.

The Bank has formed a crisis management team to handle any liquidity crisis. The general manager is the team convener, and the managers of the financial obligation department and the risk management department are the team members. The general manager can also assign the managers of related departments to join the team, depending on the situation. Members' rights and responsibilities are listed in "Bank SinoPac's Liquidity Risk Emergency Response Rule".

2) Maturity analysis of non-derivative financial liabilities held to manage liquidity risk

Cash outflow analyses of non-derivative financial liabilities of the Bank are summarized in the following tables. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the balance sheets.

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 27,918,163	\$ 32,615,631	\$ 10,946,188	\$ 66,940	\$ -	\$ 71,546,922
Due to the central bank and banks	7	51,894	7	28,501	-	80,409
Financial liabilities at fair value through profit or loss	-	-	-	-	1,598,698	1,598,698
Securities sold under repurchase agreements	2,296,713	1,344,465	63,601	-	-	3,704,779
Payables	6,603,613	830,208	239,414	275,820	2,535,476	10,484,531
Deposits and remittances	1,012,653,855	189,886,177	143,944,662	260,705,696	26,813,256	1,634,103,646
Bank debentures	6,079	2,713,513	127,738	3,372,059	42,088,329	48,307,718
Other financial liabilities	-	-	-	743,236	-	743,236

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 22,893,091	\$ 11,697,518	\$ 14,227,742	\$ 113,661	\$ -	\$ 48,932,012
Financial liabilities at fair value through profit or loss	-	-	-	-	1,688,638	1,688,638
Securities sold under repurchase agreements	4,050,626	3,698,019	530,263	-	-	8,278,908
Payables	5,660,732	590,552	43,802	192,545	2,814,383	9,302,014
Deposits and remittances	788,990,001	189,889,385	152,804,531	217,634,272	26,690,617	1,376,008,806
Bank debentures	6,095	1,993,152	181,995	2,373,112	31,056,122	35,610,476

3) Maturity analysis of financial derivatives held for liquidity risk management

a) Derivative liabilities settled on a net basis

Derivative liabilities of the Bank settled on a net basis include, but are not limited to:

Foreign exchange derivatives: Non-deliverable foreign exchange forwards, net cash flow settled foreign exchange options, etc.;

Interest rate derivatives: Forward rate agreements, interest rate swaps and interest rate futures contracts;

Other derivatives: Stock options and commodity futures.

A hedging derivative financial instrument is managed within the contract period and it is disclosed as undiscounted cash flow based on its maturity. The Bank uses derivative financial liabilities at fair value through profit or loss mainly to accommodate customers' needs and manage their own exposure positions, and disclosed the derivative financial liabilities at fair value based on shortest period that payment would be required.

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 4,930,871	\$ -	\$ -	\$ -	\$ -	\$ 4,930,871

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 6,659,894	\$ -	\$ -	\$ -	\$ -	\$ 6,659,894

b) Derivatives settled on a gross basis

Gross settled derivatives of the Bank include:

Foreign exchange derivatives: Foreign exchange forward agreements, foreign exchange swaps, cross currency swaps and gross settled foreign exchange options.

Among which, foreign exchange forwards, foreign exchange swaps, and cross currency swaps are organized into the corresponding time periods based on the cash flow indicated on the contracts, and therefore the amount disclosed will not correspond to the relevant items in the standalone balance sheet; the gross settled foreign exchange options, as a position reserved for the purpose of transaction, the Bank is able to adjust the position at any time, and therefore the cash inflow and outflow of such are expressed at their fair values, and they are placed in the most recent time period alongside the derivative liabilities settled on a net basis.

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 328,647,096	\$ 261,676,902	\$ 195,750,840	\$ 238,934,793	\$ 5,000,411	\$ 1,030,010,042
Cash outflow	329,002,676	261,615,347	196,200,139	239,348,488	4,960,371	1,031,127,021

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 432,982,328	\$ 468,193,185	\$ 279,111,702	\$ 168,330,763	\$ 3,501,050	\$ 1,352,119,028
Cash outflow	433,313,252	468,363,588	278,904,407	168,404,102	3,504,300	1,352,489,649

4) Maturity analysis of off-balance sheet items

Maturity analysis of off-balance sheet items are summarized in the following tables. Financial guarantee contracts of the Bank that assume full amount are available or require to execute at the earliest time. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the balance sheets.

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 215,995	\$ 1,317,788	\$ 5,456,442	\$ 5,358,244	\$ 24,277,855	\$ 36,626,324
Guarantees	10,348,484	6,194,237	1,328,332	4,593,308	8,295,644	30,760,005
Standby letter of credit	1,366,740	3,104,846	752,802	209,083	-	5,433,471

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 421,742	\$ 3,611,057	\$ 1,652,946	\$ 3,221,698	\$ 24,347,215	\$ 33,254,658
Guarantees	4,643,177	3,818,457	2,606,552	2,731,465	5,772,087	19,571,738
Standby letter of credit	647,393	2,188,201	412,565	85,955	-	3,334,114

5) Maturity analysis of lease commitments

Lease agreement commitment is the minimum lease payment when the Bank is lessee or lessor with non-cancelling condition.

Maturity analysis of lease commitments is summarized as follows:

December 31, 2020	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement commitments				
Lease liabilities (lessee)	\$ 558,371	\$ 1,144,793	\$ 806,758	\$ 2,509,922
Operating lease income (lessor)	77,822	179,793	11,400	269,015

December 31, 2019	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement commitments				
Lease liabilities (lessee)	\$ 601,102	\$ 1,168,949	\$ 697,847	\$ 2,467,898
Operating lease income (lessor)	87,495	165,219	-	252,714

6) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of assets and liabilities of the Bank (New Taiwan dollars)

	December 31, 2020						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,704,625,195	\$ 186,799,412	\$ 255,490,796	\$ 223,412,961	\$ 112,774,421	\$ 173,466,725	\$ 752,680,880
Main capital outflow on maturity	2,046,100,759	85,434,450	144,144,334	249,143,931	226,940,682	481,502,078	858,935,284
Gap	(341,475,564)	101,364,962	111,346,462	(25,730,970)	(114,166,261)	(308,035,353)	(106,254,404)

	December 31, 2019						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,584,282,248	\$ 216,049,139	\$ 215,336,729	\$ 229,156,993	\$ 140,206,154	\$ 116,428,452	\$ 667,104,781
Main capital outflow on maturity	1,938,793,240	148,311,046	136,713,893	303,348,780	256,783,722	362,690,210	730,945,589
Gap	(354,510,992)	67,738,093	78,622,836	(74,191,787)	(116,577,568)	(246,261,758)	(63,840,808)

Note: The amounts shown in this table are the Bank's position denominated in NTD.

b) Maturity analysis of assets and liabilities of the Bank (U.S. dollars)

(In Thousands of U.S. Dollars)

	December 31, 2020					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 34,423,991	\$ 10,178,365	\$ 6,429,725	\$ 4,213,107	\$ 5,532,400	\$ 8,070,394
Main capital outflow on maturity	35,799,107	10,168,260	8,568,027	6,214,963	5,427,801	5,420,056
Gap	(1,375,116)	10,105	(2,138,302)	(2,001,856)	104,599	2,650,338

(In Thousands of U.S. Dollars)

	December 31, 2019					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 35,619,661	\$ 12,054,746	\$ 10,017,115	\$ 5,161,570	\$ 3,359,922	\$ 5,026,308
Main capital outflow on maturity	36,926,414	11,091,598	11,198,187	7,273,734	4,301,525	3,061,370
Gap	(1,306,753)	963,148	(1,181,072)	(2,112,164)	(941,603)	1,964,938

Note: The amounts shown in this table are the Bank's position denominated in USD.

e. Market risk

1) Definition of market risk

Market risk arises from market changes (such as those referring to interest rates, exchange rates, equity securities and commodity prices) which may cause the fluctuation of a financial instrument's fair value or future cash flow. The Bank's net revenue and investment portfolio value may fluctuate when risk factors above change.

The main market risks the Bank should overcome pertain to interest rate, exchange rate and equity securities. Interest rate risks primarily refer to bonds and interest rate related derivative instruments such as fixed rate and floating rate interest rate swaps and bond options; the exchange rate risk refers to foreign currency investments the Bank holds such as exchange rate related derivative instruments and foreign currency bonds; equity securities risk includes listed stocks and equity related derivative financial instruments.

2) Management strategies and procedures

To follow the "Market Risk Management Rule" and other regulations, the Bank established standards for risk identification, measurement, supervision and reporting to set up appropriate risk management framework for every kind of market risk.

In accordance with the risk management limit approved by the board of directors, the Bank supervises every loss limit and position at risk such as interest rate, exchange rate, equity security, spot trading and forward contract, option, future, swap, and related sensitivity information derived from spot trading to confirm that market risk exposure is accepted to the Bank.

The Bank separates its transactions into hedge and non-hedge on the basis of trading purposes. For hedge transactions, the Bank should measure hedge relations, risk management goals and hedge strategies. The Bank should also perform hedge testing for hedging effectiveness.

3) Organization and framework

The board of directors is the top supervision and decision making level of the Bank; it determines every risk management procedure and limit on the basis of its operating strategy and the business environment.

The Bank also set up a risk management department headed by a general manager to establish risk managing principles, regulate risk managing policies, and plan and set up a risk management system.

Following the internal control and segregation of duties principles, the Bank had certain related functions with market risk exposures transformed into three independent departments: Trading, risk control and settlement departments, usually called front office, middle office and back office. Nevertheless, the risk management department remains in charge of market risk control, i.e., it is responsible for identifying, measuring, controlling and reporting market risk.

4) Market risk control procedure

a) Identification and measurement

Risk measurement includes exposures changes in the market of interest rates, exchange rates, and equity securities, which affect spot trading and forward, option, futures, and swap transactions or related combined transactions derived from spot trading. The Bank set up appropriate market risk limits based on commodity category, characteristic and complexity. The limits are the nominal exposure limit, the risk factor sensitivity limit of options as measured by Delta/Vega/DV01 and the loss control limit. These limits are calculated by the risk control department through measurements (such as those of the Black & Scholes Model) provided by financial data and company information providers (e.g. Murex and Bloomberg) based on market prices.

b) Supervision and reporting

The Bank's market risk management department prepares risk management reports such as those on daily market valuations, value at risk and risk limits. If the risk is over the limit, the department should report this situation to the transaction department and appropriate managers in the risk management department. The department should also collect and organize bank market risk exposure information, risk value, risk limit rules, and information on situations in which limits are exceeded, analyze security investments, and submit regularly to the board of directors reports on the collected information and security investment analysis.

5) Trading book risk management policies

a) Definitions

The trading book is an accounting book of the financial instruments and physical commodities held for trading or hedged by the Bank. Held-for-trading position refers to revenues earned from practical or impractical trading differences. Positions that should not be recorded in the trading book are recorded in the banking book.

b) Strategies

The Bank earns revenues from trading spreads or fixed arbitrage debt and equity instruments are held for short periods of time, purchased with the intention of profiting from short-term price changes through properly control short-term fluctuation of market risk factors (interest rate, exchange rate and stock price). It executes hedge transactions as needed.

c) Policies and procedures

The Bank carries out "Market Risk Management Policy" to control market risk.

Under the above policy, traders may autonomously operate and manage positions within the range of authorized limits and the approved trading strategy. The market risk management department supervises trading positions (including limit, liquidity, the ability to establish hedge positions and investment portfolio risk) based on market information and evaluates market information quality, acquirability, liquidity and scale which are calculated into the pricing model.

d) Assessment policies

The Bank assesses financial instruments once a day on the basis of information obtained from independent sources if market prices are acquirable. If the Bank assesses financial instruments using a pricing model, it should be careful in making mathematical calculations and should review the pricing model's assumptions and parameters regularly.

e) Measurements

- i. The risk valuation and calculation methods are described in Note 45 e, 10).
- ii. The calculation of the nominal exposure amount and the risk factor sensitivity value Delta/Vega/DV01 is done through the trading systems.
- iii. The Bank makes stress tests using a light scenario (change in interest rate ± 100 bp, change in securities $\pm 15\%$ and change in exchange rate $\pm 3\%$) and serious scenario (change in interest rate ± 200 bp, change in securities $\pm 30\%$ and change in exchange rate $\pm 6\%$) and reports the stress test results to the board of directors.

6) Trading book interest rate risk management

a) Definitions

Interest rate risk refers to a decrease in earnings and value of financial instruments due to adverse interest rate fluctuations. Major instruments with interest rate risk include securities and derivative instruments.

b) Procedures

The Bank has a trading limit and a stop-loss limit (which should be applied to trading instrument by the dealing room and dealers) based on management strategy and market conditions; limits have been approved by the board of directors.

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 45 e, 10).
- ii. DV01 is used daily to measure the impact of interest rate changes on investment portfolios.

7) Trading book exchange rate risk management

a) Definitions

Exchange rate risk refers to the incurrence of loss from the exchange of currencies in different timing. The Bank's major financial instruments exposed to exchange rate risk spot contract, forward contracts, and FX option.

b) Policies and procedures

To control the exchange rate risk, the Bank sets trading limit and stop-loss limit and requires the dealing room, dealers, etc., to observe these limits.

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 45 e, 10).
- ii. Exposure positions are measured daily for the impact of exchange rate changes on investment portfolio value.

8) Trading book equity risk management

a) Definitions

Market risk of equity securities includes individual risk which arises from volatility of market price on individual equity securities and general market risk which arises from volatility of overall market price.

b) Procedures

To control equity risk, the Bank sets investment position limits and stop-loss limits. The limits are approved by the board of directors. Within the limit of authority, The Bank sets investment position limits and stop-loss limits for each dealer.

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 45 e, 10).
- ii. Exposure positions are measured daily to measure the impact of equity risk on investment portfolio value due from equity risk.

9) Banking book interest rate risk management

Banking book interest rate risk refers to the decrease in the value of the banking book portfolio due to unfavorable interest rate changes. The banking book interest rate risk is not related to the interest rate position shown in the trading book.

Through managing the banking book interest rate risk, the Bank can measure and manage the risk to earnings and financial position caused by interest rate fluctuations.

a) Strategies

To reduce the negative effect of interest rate changes on net interest revenue and economic value, the Bank adjusts positions within certain limits for better performance. It reviews the interest rate sensitivity regularly to create maximum profit and manage interest rate risk.

b) Risk measurement

Risk measurement refers to the interest rate risk of assets, liabilities, and off-balance-sheet positions. The Bank periodically reports interest rate sensitivity positions and measures the impact of interest rate fluctuations on interest rate-sensitive assets and net interest revenue.

c) Risk monitoring

The asset and liability management committee examines and monitors exposure to interest rate risk on the basis of the measurement provided by the risk management sector.

If the risk exposure condition exceeds the limit or target value, the risk management sector should investigate how this condition arose and notify the executive division accordingly. The executive division coordinates with relevant divisions to find solutions to problems. The asset and liability management committee will evaluate solutions for effectiveness. If evaluation results are positive, the relevant division will apply the solutions.

10) Banking book equity risk management

Banking book equity risk refers to the decrease in the value of the held equity due to unfavorable effects of certain situations. The Bank established control policies related to equity instruments to make the risk within controllable range.

a) Strategies

The Bank has established comprehensive investment decision procedures, risk control measures, principles of disposal, and regular assessment of investment situation in order to raise the benefits of long-term fund management, reach the balance of profit and risk, and pursue the long-term stable investment performance.

b) Risk measurement

The Bank has set up criteria for equity securities to be selected for investment, such as time horizons, investment upper limits and credit ratings to control the risks of equity securities.

c) Risk monitoring

The Bank holding an investment with specific amount of valuation loss should submit the description of the situation and the suggested plan for action, and continue the monitoring of the case.

The Bank regularly assesses the risk of the investment target, checks the extent of the concentration in industries and reports the overview of the investment portfolio to the committee on the management of assets and liabilities.

11) Market risk measurement technique

Value at Risk (VaR)

The Bank uses the Risk Manager system and stress testing to measure its investment portfolio risk and uses several hypotheses about market conditions to measure market risk and expected maximum loss of holding positions. The Bank's board of directors has set a VaR limit. The VaR is controlled daily by the market risk management sector and is a widely used risk measure of the risk of loss on a specific portfolio of financial assets.

VaR is the statistical estimate of the potential loss of holding positions due to unfavorable market conditions. For the Bank, VaR refers to a fall in value of its holding position in a day, with a 99% confidence level. The Bank uses VaR and the Monte Carlo simulation method to derive quantitative measures for the market risks of the holding positions under normal conditions. The calculated result is used to test and monitor the validity of parameters and hypotheses periodically. However, the use of the VaR cannot prevent loss caused by huge unfavorable changes in market conditions.

The Bank considers the expected maximum loss, target profit, and operating strategy in setting the VaR, which is proposed by the market risk management sector and approved by the board of directors.

The Bank's trading book VaR overview.

	For the Year Ended December 31, 2020		
	Average	Maximum	Minimum
Exchange rate risk	15,788	51,534	5,023
Interest rate risk	60,552	200,058	24,903
Equity risk	30	2,625	-
Total VaR	63,709	203,536	26,205

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2020.01.02 - 2020.12.31

	For the Year Ended December 31, 2019		
	Average	Maximum	Minimum
Exchange rate risk	12,058	33,253	5,140
Interest rate risk	61,482	108,926	37,019
Equity risk	-	-	-
Total VaR	63,449	111,600	37,947

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2019.01.02 - 2019.12.31

12) Exchange rate risks

Exchange rate risks of holding net positions in foreign currencies are shown as below:

December 31, 2020			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 13,730,053	28.50837	\$ 391,421,431
CNY	16,967,587	4.38324	74,373,006
Nonmonetary items			
USD	393,237	28.50837	11,210,546
<u>Financial liabilities</u>			
Monetary items			
USD	17,735,014	28.50837	505,596,341
CNY	16,258,852	4.38324	71,266,450

December 31, 2019			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,268,622	30.1122	\$ 309,210,788
CNY	14,808,959	4.3224	64,010,244
Nonmonetary items			
USD	406,092	30.1122	12,228,314
<u>Financial liabilities</u>			
Monetary items			
USD	14,394,011	30.1122	433,435,335
CNY	14,152,410	4.3224	61,172,377

13) Compliance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Interest rate sensitivity information (New Taiwan dollars)

December 31, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,093,452,921	\$ 47,911,279	\$ 76,783,322	\$ 108,445,978	\$ 1,326,593,500
Interest rate-sensitive liabilities	283,544,383	678,130,636	146,822,802	52,670,713	1,161,168,534
Interest rate-sensitive gap	809,908,538	(630,219,357)	(70,039,480)	55,775,265	165,424,966
Net worth					136,402,893
Ratio of interest rate-sensitive assets to liabilities (%)					114.25%
Ratio of interest rate-sensitive gap to net worth (%)					121.28%

December 31, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 976,144,175	\$ 24,315,775	\$ 61,828,490	\$ 114,809,584	\$ 1,177,098,024
Interest rate-sensitive liabilities	309,456,258	510,478,376	93,913,325	58,606,204	972,454,163
Interest rate-sensitive gap	666,687,917	(486,162,601)	(32,084,835)	56,203,380	204,643,861
Net worth					132,128,375
Ratio of interest rate-sensitive assets to liabilities (%)					121.04%
Ratio of interest rate-sensitive gap to net worth (%)					154.88%

Note 1: The above amounts include only New Taiwan dollars held by the Bank and exclude contingent assets and contingent liabilities.

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

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

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

b) Interest rate sensitivity information (U.S. dollars)

December 31, 2020

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 9,724,612	\$ 402,110	\$ 183,944	\$ 2,377,660	\$ 12,688,326
Interest rate-sensitive liabilities	6,602,087	8,435,589	1,313,074	81,416	16,432,166
Interest rate-sensitive gap	3,122,525	(8,033,479)	(1,129,130)	2,296,244	(3,743,840)
Net worth					71,048
Ratio of interest rate-sensitive assets to liabilities (%)					77.22%
Ratio of interest rate-sensitive gap to net worth (%)					(5,269.45%)

December 31, 2019

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 7,714,387	\$ 207,535	\$ 196,423	\$ 1,230,062	\$ 9,348,407
Interest rate-sensitive liabilities	6,574,972	5,487,785	1,098,527	117,341	13,278,625
Interest rate-sensitive gap	1,139,415	(5,280,250)	(902,104)	1,112,721	(3,930,218)
Net worth					32,450
Ratio of interest rate-sensitive assets to liabilities (%)					70.40%
Ratio of interest rate-sensitive gap to net worth (%)					(12,111.61%)

Note 1: The above amounts include only USD held by the Bank and exclude contingent assets and contingent liabilities.

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

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

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

14) Transfers of financial assets

The transferred financial assets of the Bank that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreements.

The transaction transfers the contractual rights to receive the cash flows of the financial assets but the Bank retains the liabilities to repurchase the transferred financial assets at fixed price in the future period.

The Bank cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, the Bank still bear the interest rate risk and credit risk thus, the Bank do not derecognize it.

The analysis of financial assets and related liabilities that did not completely meet the derecognizing condition is shown in the following table:

Category of Financial Asset	December 31, 2020				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	\$ 1,058,746	\$ 1,015,961	\$ 1,058,746	\$ 1,015,961	\$ 42,785
Securities purchased under resell agreements Transactions under repurchase agreements	2,271,514	2,451,600	2,271,514	2,451,600	(180,086)

Category of Financial Asset	December 31, 2019				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	\$ 4,020,679	\$ 3,890,815	\$ 4,020,679	\$ 3,890,815	\$ 129,864
Investments in debt instruments at amortized cost Transactions under repurchase agreements	1,148,567	1,097,935	1,161,228	1,097,935	63,293
Securities purchased under resell agreements Transactions under repurchase agreements	2,822,902	3,047,485	2,822,902	3,047,485	(224,583)

15) Offsetting of financial assets and financial liabilities

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

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

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

December 31, 2020

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 18,713,644	\$ -	\$ 18,713,644	\$ 10,189,630	\$ 4,390,542	\$ 4,133,472
Securities purchased under resell agreements	50,648,028	-	50,648,028	50,639,522	-	8,506
	\$ 69,361,672	\$ -	\$ 69,361,672	\$ 60,829,152	\$ 4,390,542	\$ 4,141,978

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 18,807,048	\$ -	\$ 18,807,048	\$ 10,189,630	\$ 1,885,934	\$ 6,731,484
Securities sold under repurchase agreements	<u>3,701,323</u>	<u>-</u>	<u>3,701,323</u>	<u>3,698,310</u>	<u>-</u>	<u>3,013</u>
	<u>\$ 22,508,371</u>	<u>\$ -</u>	<u>\$ 22,508,371</u>	<u>\$ 13,887,940</u>	<u>\$ 1,885,934</u>	<u>\$ 6,734,497</u>

Note: Including netting settlement agreements and non-cash financial collaterals.

December 31, 2019

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 11,602,495	\$ -	\$ 11,602,495	\$ 7,142,606	\$ 1,319,003	\$ 3,140,886
Securities purchased under resell agreements	<u>30,516,733</u>	<u>-</u>	<u>30,516,733</u>	<u>30,514,936</u>	<u>-</u>	<u>1,797</u>
	<u>\$ 42,119,228</u>	<u>\$ -</u>	<u>\$ 42,119,228</u>	<u>\$ 37,657,542</u>	<u>\$ 1,319,003</u>	<u>\$ 3,142,683</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 14,121,533	\$ -	\$ 14,121,533	\$ 7,142,606	\$ 1,420,744	\$ 5,558,183
Securities sold under repurchase agreements	<u>8,226,792</u>	<u>-</u>	<u>8,226,792</u>	<u>8,211,023</u>	<u>-</u>	<u>15,769</u>
	<u>\$ 22,348,325</u>	<u>\$ -</u>	<u>\$ 22,348,325</u>	<u>\$ 15,353,629</u>	<u>\$ 1,420,744</u>	<u>\$ 5,573,952</u>

Note: Including netting settlement agreements and non-cash financial collaterals.

46. CAPITAL MANAGEMENT

a. Overview

The Bank's capital management goals are as follows:

As a basic target, the Bank's eligible capital should be sufficient to meet their operation need, and higher than minimum requirements of the capital adequacy ratio. Eligible capital and legal capital are calculated under the regulations announced by the authority.

The Bank should have adequacy capital to bear the risks, measure capital demand according to risk combination and risk characteristics, fulfill the optimization of resource and capital allocation by risk management.

b. Capital management procedure

The Bank's capital adequacy ratio should meet the regulations announced by the authority. Also, the Bank should maintain capital adequacy ratio by considering the Bank's business scale, major operating strategy, risk condition, eligible capital structure, and future capital increase plan, etc. The Bank reported to the authority regularly. Overseas subsidiaries' capital management is in accordance with local regulations.

The Bank's capital maintenance is in accordance with "Regulations Governing the Capital Adequacy and Capital Category of Banks", etc., and is managed by the Bank's risk management and financing divisions.

c. Statement of capital adequacy

Analysis Items			Year	December 31, 2020		December 31, 2019	
				Standalone	Consolidation	Standalone	Consolidation
Eligible capital	Common stock equity		\$ 127,040,342	\$ 129,349,315	\$ 123,600,106	\$ 125,981,077	
	Other Tier 1 capital		14,609,201	17,030,000	8,522,714	10,998,553	
	Tier 2 capital		29,791,673	35,352,578	18,789,936	23,741,613	
	Eligible capital		171,441,216	181,731,893	150,912,756	160,721,243	
Risk-weighted assets	Credit risk	Standardized approach	991,915,739	1,049,460,196	986,273,556	1,030,500,367	
		Internal rating - based approach	-	-	-	-	
		Securitization	-	-	-	-	
	Operational risk	Basic indicator approach	47,241,106	49,534,891	44,787,770	46,874,538	
		Standardized approach/ alternative standardized approach	-	-	-	-	
		Advanced measurement approach	-	-	-	-	
			-	-	-	-	
	Market risk	Standardized approach	39,468,868	39,704,293	46,858,475	48,874,413	
		Internal model approach	-	-	-	-	
	Total risk-weighted assets		1,078,625,713	1,138,699,380	1,077,919,801	1,126,249,318	
Capital adequacy ratio			15.89%	15.96%	14.00%	14.27%	
Common stock equity risk - based capital ratio			11.78%	11.36%	11.47%	11.19%	
Tier 1 risk - based capital ratio			13.13%	12.85%	12.26%	12.16%	
Leverage ratio			6.88%	7.06%	7.49%	7.71%	

Note 1: These tables were filled according to "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: The Bank shall disclose the capital adequacy ratio for the current and previous years in annual financial reports. For semiannual financial report, the Bank shall disclose the capital adequacy ratio for the current period, previous period, and previous year-end.

Note 3: The formula is as follows:

- 1) Eligible capital = Common stock equity + Other Tier 1 capital + Tier 2 capital.
- 2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.
- 3) Ratio of capital adequacy = Eligible capital ÷ Total risk-weighted assets.
- 4) Common stock equity risk-based capital ratio = Common stock equity ÷ Total risk-weighted assets.

5) Tier 1 risk - based capital ratio = (Common stock equity + Other Tier 1 capital) ÷ Total risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Total exposure risk.

Note 4: In accordance with Financial Supervisory Commission Guideline No. 09900146911, gains from the sale of idle assets are not to be included in the Bank's capital adequacy ratio calculation until disposed outside the Group.

Note 5: Under Order No. 10902745641 issued by the FSC, which referred to the amendment of "Eligible Capital and Risk-weighted Assets Calculation and Related Tables", the real-estate-secured loans are divided into three types: "residential real estate exposures", "commercial real estate exposures" and "land acquisition, development and construction exposures"; each type was given different risk weight based on the real estate loan ratio and type when the capital adequacy ratio was calculated on December 31, 2020.

47. CROSS-SELLING INFORMATION

For the years ended December 31, 2020 and 2019, the Bank charged SinoPac Securities for \$6,608 and \$3,133, respectively, as marketing and opening accounts. The rental fee the Bank charged SinoPac Securities for the years ended December 31, 2020 and 2019 were \$1,294 and \$3,229, respectively.

The Bank paid to SinoPac Securities \$4,954 and \$4,899 for the years ended December 31, 2020 and 2019 for bonus as part of the cross-selling agreement.

The Bank charged SinoPac Leasing for \$330 for the year ended December 31, 2020 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Leasing \$19 for the year ended December 31, 2020 for bonus as a part of the cross-selling agreement.

The Bank paid to SinoPac Venture Capital \$31 and \$12 for the years ended December 31, 2020 and 2019 for bonus as a part of the cross-selling agreement.

For other transactions between SPH and its subsidiaries, please refer to Note 41.

48. PROFITABILITY

Items		December 31, 2020	December 31, 2019
Return on total assets	Before income tax	0.61%	0.77%
	After income tax	0.54%	0.66%
Return on net worth	Before income tax	8.06%	9.12%
	After income tax	7.14%	7.83%
Profit margin		35.95%	38.76%

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

Note 2: Return on net worth = Income before (after) income tax ÷ Average net worth.

Note 3: Profit margin = Income after income tax ÷ Net revenues.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2020 and 2019.

Note 5: Beginning balance of average total assets and average net worth for the year ended December 31, 2019 is adjusted to calculate based on IFRS 16.

49. TRUST BUSINESS UNDER THE TRUST LAW

a. Balance sheets, income statement and trust properties of trust accounts

These statements were managed by the Bank's Trust Department. However, these items were not included in the Bank's financial statements.

Balance Sheets of Trust Accounts December 31, 2020 and 2019

	December 31			
	2020	%	2019	%
<u>Trust assets</u>				
Bank deposits	\$ 3,775,769	1	\$ 2,176,340	-
Bonds	11,558,992	2	7,491,614	2
Stocks	16,335,447	3	17,899,678	4
Funds	99,189,058	19	102,502,636	20
Securities lent	1,002,333	-	450,060	-
Receivables	111,840	-	77,409	-
Prepayments	4,877	-	8,759	-
Real estate				
Land	10,952,077	2	5,553,845	1
Buildings	221,569	-	97,720	-
Construction in progress	1,700,931	-	793,194	-
Securities under custody	<u>384,661,813</u>	<u>73</u>	<u>374,486,273</u>	<u>73</u>
Total trust assets	<u>\$ 529,514,706</u>	<u>100</u>	<u>\$ 511,537,528</u>	<u>100</u>
<u>Trust liabilities</u>				
Payables	\$ 829	-	\$ 789	-
Payable on securities under custody	384,661,813	73	374,486,273	73
Trust capital	142,300,276	27	133,777,969	26
Reserves and cumulative earnings				
Net income	(444,157)	-	3,644,585	1
Cumulative earnings	3,272,497	-	270,011	-
Deferred amount	<u>(276,552)</u>	<u>-</u>	<u>(642,099)</u>	<u>-</u>
Total trust liabilities	<u>\$ 529,514,706</u>	<u>100</u>	<u>\$ 511,537,528</u>	<u>100</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 \$3,041,368 and \$2,462,887, respectively. As of December 31, 2020 and 2019, the Bank's Offshore Banking Unit invested in domestic securities under specific purpose trust accounts amounting to \$706,974 and \$988,943, respectively.

Trust Properties of Trust Accounts
December 31, 2020 and 2019

Investment Portfolio	December 31	
	2020	2019
Bank deposits	\$ 3,775,769	\$ 2,176,340
Bonds	11,558,992	7,491,614
Stocks	16,335,447	17,899,678
Funds	99,189,058	102,502,636
Securities lent	1,002,333	450,060
Real estate		
Land	10,952,077	5,553,845
Buildings	221,569	97,720
Construction in progress	1,700,931	793,194
Securities under custody	<u>384,661,813</u>	<u>374,486,273</u>
Total	<u>\$ 529,397,989</u>	<u>\$ 511,451,360</u>

Income Statements of Trust Account
Years Ended December 31, 2020 and 2019

	Years Ended December 31			
	2020	%	2019	%
Trust income				
Interest income	\$ 12,243	2	\$ 14,533	-
Borrowed Securities income	8,326	1	10,828	-
Cash dividends	399,835	65	656,044	16
Gains from beneficial certificates	12,670	2	1,204	-
Realized investment income	23,153	4	59,806	2
Unrealized investment income	144,088	24	3,326,985	82
Other revenues	-	-	-	-
Donation revenue - charitable trust	<u>10,750</u>	<u>2</u>	<u>10,368</u>	<u>-</u>
Total trust income	<u>611,065</u>	<u>100</u>	<u>4,079,768</u>	<u>100</u>
Trust expense				
Trust administrative expenses	5,174	1	4,991	-
Tax expenses	43	-	41	-
Donation expense - charitable trust	4,312	1	4,336	-
Realized investment loss	30,612	5	64,954	2
Unrealized investment loss	1,014,839	166	360,579	9
Other expense	<u>242</u>	<u>-</u>	<u>282</u>	<u>-</u>
Total trust expense	<u>1,055,222</u>	<u>173</u>	<u>435,183</u>	<u>11</u>
Income before income tax	(444,157)	(73)	3,644,585	89
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income after income tax	<u>\$ (444,157)</u>	<u>(73)</u>	<u>\$ 3,644,585</u>	<u>89</u>

- b. The operations of the Bank's Trust Department consist of planning, managing and operating of trust business and affiliated business. These operations are governed by the Banking Law and the Trust Law.

50. OTHER

The Bank acquired SinoPac Call Center on May 1, 2019 and acquired SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. on August 1, 2019. The Bank and SinoPac Call Center were both wholly-owned subsidiary of SPH and SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. were both wholly-owned subsidiary of the Bank. Business combination involving entities or businesses under common control does not apply the guidance of IFRS 3 “Business Combinations”, therefore, the Bank’s business combination was accounted for in accordance with “IFRS Questions and Answers on IFRS 3: Business combination involving entities or business under common control” issued by the Accounting Research and Development Foundation of the ROC.

The net assets of SinoPac Call Center at the reference date of the consolidation have been transferred to the Bank at book value of \$66,859 by cash merger. The Bank merged the book value of all assets and liabilities of SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. into the financial statements. At the reference date of the consolidation, the net assets of SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. were \$911,055 and \$24,059. In consideration of materiality, the Bank treated the merger of SinoPac Life Insurance Agent Co., Ltd. as if it occurred at the beginning of the period.

51. ADDITIONAL DISCLOSURES

a. Relevant information of material transaction:

No.	Item	Explanation
1	Acquired and disposed of investment at costs or prices of at least NT\$300 million or 10% of the issued capital	None
2	Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the issued capital	None
3	Disposal of individual real estates at prices of at least NT\$300 million or 10% of the issued capital	None
4	Allowance for service fee to related parties amounting to at least NT\$5 million	None
5	Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital	Table 1
6	Trading information - sale of non-performing loans	None
7	Financial asset securitization	None
8	Other significant transactions which may affect the decisions of financial report users	None

b. Information related to subsidiary:

No.	Item	Explanation
1	Financing provided	None (Note)
2	Endorsements/guarantees provided	None (Note)
3	Marketable securities held	None (Note)
4	Acquisition and disposal of investment at costs or prices of at least NT\$300 million or 10% of the issued capital	None
5	Derivative transactions	None
6	Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the issued capital	None
7	Disposal of individual real estates at prices of at least NT\$300 million or 10% of the issued capital	None
8	Allowance for service fee to related parties amounting to at least NT\$5 million	None
9	Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital	None
10	Trading information - sale of non-performing loans	None
11	Financial asset securitization	None
12	Other significant transactions which may affect the decisions of financial report users	None

Note: Subsidiaries which belong to financial, insurance, securities industries and its main business registration include financing provided, endorsements/guarantees provided, acquisition and disposal of marketable securities do not need to disclose above information.

c. The related information and proportionate share in investees: Table 2.

d. Information on investment in Mainland China: Table 3.

e. Information of major shareholders: Due to the Bank is not-listed on the Exchange and OTC Banking, not required for disclosure.

BANK SINOPAC**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	\$ 1,060,929 (Note)	-	\$ -	-	\$ -	\$ -

Note: Most of receivables resulted from the use of the linked-tax system (recognized in current income tax assets) and related parties.

TABLE 2

BANK SINOPAC

INFORMATION ON INVESTED ENTERPRISES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars or Thousands Shares)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Gains (Losses)	Consolidated Investment			Note
						Shares	Imitated Shares	Total Shares	Percentage of Ownership (%)
Financial related enterprise Bank SinoPac (China) Ltd.	China	Commercial Bank	100.00	\$ 9,604,528	\$ 58,739	-	-	-	Subsidiary and Note 1
SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance services	100.00	78,670	4,123	100	-	100	Subsidiary and Note 1
SinoPac Capital Limited	Hong Kong	Credit and investment service	-	-	(767)	-	-	-	Subsidiary, Note 1 and 4
Global Securities Finance Corporation	Taiwan	Investment management	2.64	5,620	9,869	535	-	535	Note 2
Taipei Foreign Exchange Inc.	Taiwan	Foreign exchange market maker	3.43	16,055	4,080	680	-	680	Note 2
Taiwan Futures Exchange	Taiwan	Futures exchange and settlement	1.07	235,782	9,894	7,677	-	7,677	Note 2
Fuh Hua Securities Investment Trust Co., Ltd.	Taiwan	Securities investment trust and consultant	4.63	91,693	33,353	2,779	-	2,779	Note 2
Financial Information Service Co., Ltd.	Taiwan	Planning and developing the information system of across banking institution and managing the information web system	2.41	645,298	33,655	12,574	-	12,574	Note 2
Taiwan Asset Management Corporation	Taiwan	Evaluating, auctioning, and managing for financial institutions' loan	0.28	19,320	1,950	3,000	-	3,000	Note 2
Taiwan Financial Asset Service Co.	Taiwan	Auction	5.88	76,300	800	10,000	-	10,000	Note 2
Sunny Asset Management Corp.	Taiwan	Purchasing for financial institutions' loan assets	1.42	621	211	85	-	85	Note 2
Taiwan Depository and Clearing Co.	Taiwan	Computerizing book-entry operation for securities	0.08	21,806	1,102	3,580	-	3,580	Note 2
Taiwan Mobile Payment Corporation	Taiwan	Promoting E-commerce and developing E-billing	1.00	4,704	-	600	-	600	Note 2
Nonfinancial related enterprise Taiwan Television Enterprise, Ltd.	Taiwan	Wireless television company	4.84	81,545	-	13,712	-	13,712	Note 2
Victor Taichung Machinery Works Co., Ltd.	Taiwan	Manufacturer and seller of tool machine, plastic machine and other precise equipment	0.08	1,686	47	157	-	157	Note 2

Note 1: Foreign-currency amounts were translated at the exchange rate on the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2020.

Note 2: Investment gains are dividend income.

Note 3: Above shares are in thousands of shares.

Note 4: Please refer to Note 14.

TABLE 3

BANK SINOPAC
**INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020**
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Earnings (Losses) of Investee (Notes 2 and 3)	Percentage of Ownership (%)	Equity in the Earnings (Losses) (Notes 2 and 3)	Carrying Value (Notes 2 and 3)	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
Bank SinoPac (China) Ltd.	Commercial Bank	\$ 9,233,032	Investment in Mainland China directly	\$ 9,233,032	\$ -	\$ -	\$ 9,233,032	\$ 60,477	100	\$ 58,739	\$ 9,604,528	\$ -

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$9,233,032	\$9,233,032	\$83,799,763

Note 1: The accumulated investment amounts in Mainland China as of December 31, 2020 are US\$323,871 thousand and had been authorized by the Investment Commission, MOEA are US\$323,871 thousand.

Note 2: Earnings of investee, equity in the earnings and carrying value for the year ended December 31, 2020 have been audited by independent certified public accountants.

Note 3: Foreign currencies are translated to New Taiwan dollars with current rate of the date of balance sheet, only the gains or losses investments are translated with current period average rate.

Major Subsidiaries

Bank SinoPac (China) Ltd.

Address : Room 3501 & 3601, Block 4, 248 Lushan Road, Jianye District, Nanjing City, China

Telephone : 86-25-8886-6000

SinoPac Insurance Brokers Ltd.

Address : Units 03-06, 12A Floor, One Peking, 1 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong

Telephone : 852-3655-8688

