

Bank SinoPac and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholder
Bank SinoPac

Introduction

We have reviewed the accompanying consolidated balance sheets of Bank SinoPac and its subsidiaries (collectively referred to as the Group) as of March 31, 2021 and 2020 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020 and related notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authority, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS, NET (Note 6)	\$ 20,068,931	1	\$ 26,857,790	1	\$ 15,867,111	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET (Notes 7, 40 and 41)	151,975,304	8	139,884,559	7	129,975,368	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 40)	44,217,171	2	56,153,855	3	70,563,034	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9 and 40)	351,028,727	17	339,734,325	17	253,880,243	14
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 41)	152,426,235	8	162,368,434	8	143,132,047	8
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 11 and 40)	63,778,418	3	50,648,028	3	23,662,935	1
RECEIVABLES, NET (Notes 12 and 40)	47,584,326	2	49,061,283	3	42,989,247	3
CURRENT INCOME TAX ASSETS (Notes 4, 29 and 40)	1,259,900	-	1,205,480	-	1,336,205	-
DISCOUNTS AND LOANS, NET (Notes 5, 13, 40 and 41)	1,187,013,925	58	1,140,986,052	57	1,068,862,214	60
OTHER FINANCIAL ASSETS, NET (Notes 14, 40 and 41)	8,514,856	-	7,876,785	-	10,162,587	1
PROPERTY AND EQUIPMENT, NET (Notes 15, 17 and 40)	9,671,896	1	9,778,471	1	9,550,042	1
RIGHT-OF-USE ASSETS, NET (Notes 16 and 40)	2,559,540	-	2,374,478	-	2,126,361	-
INVESTMENT PROPERTY, NET (Note 17)	1,044,223	-	1,047,154	-	1,085,393	-
INTANGIBLE ASSETS, NET (Notes 18 and 40)	1,573,445	-	1,502,538	-	1,465,367	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 29)	1,326,268	-	1,411,103	-	1,417,880	-
OTHER ASSETS, NET (Notes 19 and 40)	<u>2,886,255</u>	<u>-</u>	<u>3,745,491</u>	<u>-</u>	<u>5,299,740</u>	<u>-</u>
TOTAL	<u>\$ 2,046,929,420</u>	<u>100</u>	<u>\$ 1,994,635,826</u>	<u>100</u>	<u>\$ 1,781,375,774</u>	<u>100</u>
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 20 and 40)	\$ 89,402,568	4	\$ 75,514,370	4	\$ 59,910,408	3
DUE TO THE CENTRAL BANK AND BANKS	118,350	-	80,380	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 40)	16,955,148	1	22,891,818	1	21,003,697	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 9, 10, 11 and 21)	13,605,676	1	3,701,323	-	6,707,512	1
PAYABLES (Notes 22, 27, 36 and 40)	20,979,907	1	19,072,310	1	20,174,100	1
CURRENT INCOME TAX LIABILITIES (Notes 4, 29 and 40)	819,507	-	441,804	-	1,060,268	-
DEPOSITS AND REMITTANCES (Notes 23 and 40)	1,697,592,796	83	1,659,951,067	83	1,460,408,720	82
BANK DEBENTURES (Notes 24 and 40)	45,078,979	2	45,078,282	2	36,140,437	2
OTHER FINANCIAL LIABILITIES (Note 25)	11,405,148	1	16,167,082	1	33,724,285	2
PROVISIONS (Notes 26 and 27)	3,170,850	-	3,213,131	-	3,012,962	-
LEASE LIABILITIES (Notes 16 and 40)	2,563,196	-	2,374,065	-	2,110,586	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 29)	761,184	-	772,057	-	875,217	-
OTHER LIABILITIES (Notes 28 and 40)	<u>3,321,456</u>	<u>-</u>	<u>5,711,865</u>	<u>1</u>	<u>2,337,354</u>	<u>-</u>
Total liabilities	<u>1,905,774,765</u>	<u>93</u>	<u>1,854,969,554</u>	<u>93</u>	<u>1,647,465,546</u>	<u>92</u>
EQUITY						
Capital stock						
Common stock	<u>86,061,159</u>	<u>4</u>	<u>86,061,159</u>	<u>4</u>	<u>86,061,159</u>	<u>5</u>
Capital surplus						
Additional paid-in capital in excess of par	4,001,872	-	4,001,872	-	4,001,872	-
Capital surplus from business combination	8,076,524	1	8,076,524	1	8,076,524	1
Others	<u>69,244</u>	<u>-</u>	<u>69,244</u>	<u>-</u>	<u>69,244</u>	<u>-</u>
Total capital surplus	<u>12,147,640</u>	<u>1</u>	<u>12,147,640</u>	<u>1</u>	<u>12,147,640</u>	<u>1</u>
Retained earnings						
Legal reserve	26,912,280	1	26,912,280	1	23,853,943	1
Special reserve	373,453	-	373,453	-	418,897	-
Unappropriated earnings	<u>13,075,600</u>	<u>1</u>	<u>9,593,897</u>	<u>1</u>	<u>12,833,749</u>	<u>1</u>
Total retained earnings	<u>40,361,333</u>	<u>2</u>	<u>36,879,630</u>	<u>2</u>	<u>37,106,589</u>	<u>2</u>
Other equity	<u>2,584,523</u>	<u>-</u>	<u>4,577,843</u>	<u>-</u>	<u>(1,405,160)</u>	<u>-</u>
Total equity	<u>141,154,655</u>	<u>7</u>	<u>139,666,272</u>	<u>7</u>	<u>133,910,228</u>	<u>8</u>
TOTAL	<u>\$ 2,046,929,420</u>	<u>100</u>	<u>\$ 1,994,635,826</u>	<u>100</u>	<u>\$ 1,781,375,774</u>	<u>100</u>

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

BANK SINOPAC AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
INTEREST INCOME	\$ 7,010,914	87	\$ 7,933,343	106
INTEREST EXPENSES	<u>(2,168,702)</u>	<u>(27)</u>	<u>(3,906,275)</u>	<u>(52)</u>
NET INTEREST REVENUE (Notes 31 and 40)	<u>4,842,212</u>	<u>60</u>	<u>4,027,068</u>	<u>54</u>
NET REVENUES OTHER THAN INTEREST				
Service fee income, net (Notes 32 and 40)	2,527,503	31	2,394,945	32
Gains on financial assets and liabilities at fair value through profit or loss, net (Notes 33 and 40)	263,345	3	562,681	8
Realized gains on financial assets at fair value through other comprehensive income (Note 34)	288,401	4	105,209	1
Loss arising from derecognition of financial assets measured at amortized cost	(670)	-	-	-
Foreign exchange gains (losses)	176,373	2	314,166	4
Impairment loss on assets (Note 14)	(12,458)	-	(53,152)	(1)
Net other revenue other than interest income (Notes 35 and 40)	<u>34,198</u>	<u>-</u>	<u>110,116</u>	<u>2</u>
Net revenues other than interest	<u>3,276,692</u>	<u>40</u>	<u>3,433,965</u>	<u>46</u>
NET REVENUE	<u>8,118,904</u>	<u>100</u>	<u>7,461,033</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 5, 6, 7, 12, 13, 14 and 26)	<u>(489,874)</u>	<u>(6)</u>	<u>(685,977)</u>	<u>(9)</u>
OPERATING EXPENSES				
Employee benefits expenses (Notes 27, 36 and 40)	(2,526,713)	(31)	(2,276,857)	(31)
Depreciation and amortization expense (Notes 16, 37 and 40)	(372,077)	(5)	(334,819)	(4)
Other general and administrative expenses (Notes 38 and 40)	<u>(988,717)</u>	<u>(12)</u>	<u>(1,056,948)</u>	<u>(14)</u>
Total operating expenses	<u>(3,887,507)</u>	<u>(48)</u>	<u>(3,668,624)</u>	<u>(49)</u>
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX	3,741,523	46	3,106,432	42
INCOME TAX EXPENSE (Notes 4 and 29)	<u>(553,456)</u>	<u>(7)</u>	<u>(489,667)</u>	<u>(7)</u>
NET INCOME	<u>3,188,067</u>	<u>39</u>	<u>2,616,765</u>	<u>35</u>

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BANK SINOPAC AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income (Note 30)	\$ 1,113,815	14	\$ (927,699)	(13)
Change in fair value of financial liability attributable to change in credit risk of liability (Note 30)	<u>3,051</u>	<u>-</u>	<u>(11,321)</u>	<u>-</u>
Items that will not be reclassified to profit or loss	<u>1,116,866</u>	<u>14</u>	<u>(939,020)</u>	<u>(13)</u>
Items that will be reclassified to profit or loss:				
Exchange differences on translation of foreign operations (Note 30)	(76,359)	(1)	(127,589)	(2)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (Note 30)	(2,772,973)	(34)	(1,264,710)	(17)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4, 29 and 30)	<u>32,782</u>	<u>-</u>	<u>(43,235)</u>	<u>-</u>
Items that will be reclassified to profit or loss	<u>(2,816,550)</u>	<u>(35)</u>	<u>(1,435,534)</u>	<u>(19)</u>
Other comprehensive income	<u>(1,699,684)</u>	<u>(21)</u>	<u>(2,374,554)</u>	<u>(32)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,488,383</u>	<u>18</u>	<u>\$ 242,211</u>	<u>3</u>
EARNINGS PER SHARE (Note 39)				
Basic	<u>\$ 0.37</u>		<u>\$ 0.30</u>	

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

(Concluded)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Capital Stock (Note 30)	Capital Surplus (Note 30)	Retained Earnings (Note 30)				Exchange Differences on Translation of Foreign Operations	Other Equity (Note 30)		Total	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total		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		
BALANCE AT JANUARY 1, 2020	\$ 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
Net income for the three months ended March 31, 2020	-	-	-	-	2,616,765	2,616,765	-	-	-	-	2,616,765
Other comprehensive income for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	(102,071)	(2,261,162)	(11,321)	(2,374,554)	(2,374,554)
Total comprehensive income for the three months ended March 31, 2020	-	-	-	-	2,616,765	2,616,765	(102,071)	(2,261,162)	(11,321)	(2,374,554)	242,211
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	22,526	22,526	-	(22,526)	-	(22,526)	-
BALANCE AT MARCH 31, 2020	<u>\$ 86,061,159</u>	<u>\$ 12,147,640</u>	<u>\$ 23,853,943</u>	<u>\$ 418,897</u>	<u>\$ 12,833,749</u>	<u>\$ 37,106,589</u>	<u>\$ (772,082)</u>	<u>\$ (553,715)</u>	<u>\$ (79,363)</u>	<u>\$ (1,405,160)</u>	<u>\$ 133,910,228</u>
BALANCE AT JANUARY 1, 2021	\$ 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
Net income for the three months ended March 31, 2021	-	-	-	-	3,188,067	3,188,067	-	-	-	-	3,188,067
Other comprehensive income for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	(61,087)	(1,641,648)	3,051	(1,699,684)	(1,699,684)
Total comprehensive income for the three months ended March 31, 2021	-	-	-	-	3,188,067	3,188,067	(61,087)	(1,641,648)	3,051	(1,699,684)	1,488,383
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	293,636	293,636	-	(293,636)	-	(293,636)	-
BALANCE AT MARCH 31, 2021	<u>\$ 86,061,159</u>	<u>\$ 12,147,640</u>	<u>\$ 26,912,280</u>	<u>\$ 373,453</u>	<u>\$ 13,075,600</u>	<u>\$ 40,361,333</u>	<u>\$ (643,251)</u>	<u>\$ 3,307,066</u>	<u>\$ (79,292)</u>	<u>\$ 2,584,523</u>	<u>\$ 141,154,655</u>

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,741,523	\$ 3,106,432
Adjustments to reconcile profit:		
Depreciation expenses	317,117	286,798
Amortization expenses	54,960	48,021
Provision for bad debt expense	646,375	709,446
Interest expenses	2,168,702	3,906,275
Loss on disposal of financial assets at amortized cost	670	-
Interest income	(7,010,914)	(7,933,343)
Dividend income	(39,113)	(30,916)
Net change in provisions for guarantee liabilities	33,671	22,096
Net change in other provisions	(8,781)	94,021
Losses on disposal and retirement of property and equipment	1,045	10,076
Impairment loss on financial assets	12,458	53,152
Net gains on changing in leasing contract	(78)	(178)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to banks	1,200,735	(1,690,127)
Decrease (increase) in financial assets at fair value through profit or loss	11,936,684	(18,518,644)
Increase in financial assets at fair value through other comprehensive income	(12,956,771)	(17,187,756)
Decrease (increase) in investments in debt instruments at amortized cost	9,947,275	(5,191,441)
(Increase) decrease in securities purchased under resell agreements	(38,717)	322,507
Decrease in receivables	1,271,241	3,230,243
Increase in discounts and loans	(46,650,303)	(69,991,630)
(Increase) decrease in other financial assets	(650,697)	522,490
Decrease (increase) in other assets	859,527	(1,180,837)
Increase in deposits from the Central Bank and banks	13,888,198	6,091,906
(Decrease) increase in financial liabilities at fair value through profit or loss	(5,933,619)	4,279,302
Increase (decrease) in securities sold under repurchase agreements	9,904,353	(2,375,115)
Increase in payables	2,336,081	3,244,191
Increase in deposits and remittances	37,641,729	71,568,169
Decrease in other financial liabilities	(4,761,934)	(525,085)
Decrease in provisions for employee benefits	(68,608)	(33,309)
Decrease in other liabilities	(2,390,409)	(605,765)
Net cash generated from (used in) operations	15,452,400	(27,769,021)
Interest received	6,963,265	7,961,608
Dividend received	3,565	-

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BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
Interest paid	\$ (2,321,978)	\$ (4,004,782)
Income tax paid	<u>(123,720)</u>	<u>(306,912)</u>
Net cash generated from (used in) operating activities	<u>19,973,532</u>	<u>(24,119,107)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(140,178)	(237,055)
Proceeds from disposal of property and equipment	14	44
Acquisition of intangible assets	(25,397)	(27,457)
Acquisition of right-of-use assets	(100)	(9)
Acquisition of investment properties	<u>(12)</u>	<u>(237)</u>
Net cash used in investing activities	<u>(165,673)</u>	<u>(264,714)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in funds borrowed from Central Bank and banks	37,970	-
Bank debentures issued	-	5,000,000
Repayment of bank debentures payable	-	(1,880,000)
Repayments of lease liabilities	<u>(182,253)</u>	<u>(172,226)</u>
Net cash (used in) generated from financing activities	<u>(144,283)</u>	<u>2,947,774</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(74,575)</u>	<u>(114,880)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,589,001	(21,550,927)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>158,248,011</u>	<u>145,845,606</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 177,837,012</u>	<u>\$ 124,294,679</u>

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BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

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

	March 31	
	2021	2020
Cash and cash equivalents in consolidated balance sheets	\$ 20,068,931	\$ 15,867,111
Due from the Central Bank and call loans to banks reclassified as cash and cash equivalents under the definition of IAS 7	94,052,322	84,764,633
Securities purchased under resell agreements reclassified as cash and cash equivalents under the definition of IAS 7	<u>63,715,759</u>	<u>23,662,935</u>
Cash and cash equivalents at the end of the period	<u>\$ 177,837,012</u>	<u>\$ 124,294,679</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 THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 reported by the Bank's board of directors on May 12, 2021.

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

- New International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as IFRSs) in issue but not endorsed and issued into effect by the Financial Supervisory Commission (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)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 8)

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.

Note 8: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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 International Accounting Standard 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in the consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

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			Remark
			March 31, 2021	December 31, 2020	March 31, 2020	
Bank SinoPac	Bank SinoPac (China) Ltd.	Commercial bank	100	100	100	
	SinoPac Insurance Brokers Ltd.	Insurance brokerage business	100	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.

Other Significant Accounting Policies

Please refer to the Group's consolidated financial statements for the year ended December 31, 2020 for the significant accounting policies, except for those described below.

a. Retirement benefits

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

b. Income tax

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

c. Modification of financial instruments

When a financial instrument is modified, the Group assesses whether the modification will result in derecognition. If modification of a financial instrument results in derecognition, it is accounted for as derecognition of financial assets or liabilities. If the modification does not result in derecognition, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liability based on the modified cash flows discounted at the original effective interest rate with any modification gain or loss recognized in profit or loss. The cost incurred is adjusted to the carrying amount of the modified financial asset or financial liability and amortized over the modified remaining period.

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 7,094,111	\$ 7,098,626	\$ 7,454,766
Due from other banks	11,629,933	18,477,864	7,540,290
Notes and checks for clearing	<u>1,363,806</u>	<u>1,299,841</u>	<u>872,949</u>
	20,087,850	26,876,331	15,868,005
Less: Allowance for credit losses	<u>(18,919)</u>	<u>(18,541)</u>	<u>(894)</u>
Net amount	<u>\$ 20,068,931</u>	<u>\$ 26,857,790</u>	<u>\$ 15,867,111</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).

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

	March 31, 2021	December 31, 2020	March 31, 2020
Call loans to banks	\$ 48,639,955	\$ 57,472,101	\$ 70,563,751
Trade finance advance - interbank	6,547,088	5,537,442	2,144,005
Deposit reserve - checking accounts	46,107,237	28,094,216	19,816,506
Due from the Central Bank - interbank settlement funds	6,000,284	4,000,139	2,500,964
Deposit reserve - demand accounts	36,677,043	35,613,480	31,297,875
Deposit reserve - foreign currencies	427,990	427,626	378,500
Deposit - other	<u>7,576,330</u>	<u>8,745,471</u>	<u>3,285,715</u>
	151,975,927	139,890,475	129,987,316
Less: Allowance for credit losses	<u>(623)</u>	<u>(5,916)</u>	<u>(11,948)</u>
Net amount	<u>\$ 151,975,304</u>	<u>\$ 139,884,559</u>	<u>\$ 129,975,368</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

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets mandatorily classified as at fair value through profit or loss			
Government bonds	\$ 19,832,774	\$ 26,528,505	\$ 39,832,421
Commercial paper	2,848,168	2,348,878	-
Corporate bonds	1,670,988	1,410,892	424,758
Certificates of deposits purchased	1,339,403	1,998,231	2,118,521
Bank debentures	420,500	312,118	927,245
Listed stock	263,135	68,765	-
Treasury securities	-	-	7,975,252
Currency swap contracts	10,907,709	13,575,991	5,589,215
Interest rate swap contracts	2,868,294	4,532,853	8,093,578
Forward contracts	710,438	1,131,602	2,125,968
Option contracts	363,128	1,049,976	1,551,881
Hybrid FX swap structured instruments	318,695	270,401	731,101
Others	<u>273,391</u>	<u>270,055</u>	<u>418,776</u>
	<u>41,816,623</u>	<u>53,498,267</u>	<u>69,788,716</u>

(Continued)

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets designated at fair value through profit or loss			
Government bonds	\$ 1,215,454	\$ 1,277,491	\$ -
Corporate bonds	<u>1,185,094</u>	<u>1,378,097</u>	<u>774,318</u>
	<u>2,400,548</u>	<u>2,655,588</u>	<u>774,318</u>
	<u>\$ 44,217,171</u>	<u>\$ 56,153,855</u>	<u>\$ 70,563,034</u>
Held-for-trading financial liabilities			
Currency swap contracts	\$ 11,587,493	\$ 15,468,374	\$ 6,117,453
Interest rate swap contracts	1,733,537	2,946,034	6,620,642
Option contracts	821,538	1,153,598	3,389,412
Forward contracts	763,465	1,149,656	2,213,861
Hybrid FX swap structured instruments	318,505	270,239	730,726
Others	<u>191,846</u>	<u>383,148</u>	<u>369,286</u>
	<u>15,416,384</u>	<u>21,371,049</u>	<u>19,441,380</u>
Financial liabilities designated at fair value through profit or loss			
Bank debentures	<u>1,538,764</u>	<u>1,520,769</u>	<u>1,562,317</u>
	<u>1,538,764</u>	<u>1,520,769</u>	<u>1,562,317</u>
	<u>\$ 16,955,148</u>	<u>\$ 22,891,818</u>	<u>\$ 21,003,697</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:

	March 31, 2021	December 31, 2020	March 31, 2020
Difference between carrying amount and the amount due on maturity			
Fair value	\$ 1,538,764	\$ 1,520,769	\$ 1,562,317
Amount due on maturity	<u>(1,600,059)</u>	<u>(1,598,698)</u>	<u>(1,698,047)</u>
	<u>\$ (61,295)</u>	<u>\$ (77,929)</u>	<u>\$ (135,730)</u>
			Changes in Fair Value Attributable to Changes in Credit Risk
Change in amount during the period			
For the three months ended March 31, 2021			<u>\$ 3,051</u>
For the three months ended March 31, 2020			<u>\$ (11,321)</u>
Accumulated amount of change			
As of March 31, 2021			<u>\$ (79,292)</u>
As of March 31, 2020			<u>\$ (79,363)</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 March 31, 2021, December 31, 2020 and March 31, 2020 were as follows:

	Contract Amount		
	March 31, 2021	December 31, 2020	March 31, 2020
Currency swap contracts	\$ 1,027,747,144	\$ 1,003,581,879	\$ 1,307,576,992
Interest rate swap contracts	708,735,284	734,091,760	875,193,501
Forward contracts	67,758,388	85,962,719	134,919,919
Option contracts	22,997,342	31,541,123	50,281,655
Futures contracts	10,855,775	11,458,846	11,554,183
Cross-currency swap contracts	7,799,546	12,933,171	11,542,446
Hybrid FX swap structured instruments	7,222,863	7,520,729	8,662,540
Assets swap contracts	1,055,284	889,701	281,300
Equity-linked swap contracts	797,259	254,295	72,672
Commodity-linked swap contracts	-	648,263	688,549

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2021	December 31, 2020	March 31, 2020
Equity instruments at fair value through other comprehensive income	\$ 11,126,986	\$ 11,577,644	\$ 5,782,004
Debt instruments at fair value through other comprehensive income	<u>339,901,741</u>	<u>328,156,681</u>	<u>248,098,239</u>
	<u>\$ 351,028,727</u>	<u>\$ 339,734,325</u>	<u>\$ 253,880,243</u>

a. Equity instruments at fair value through other comprehensive income

	March 31, 2021	December 31, 2020	March 31, 2020
Listed common stock	\$ 8,762,277	\$ 9,219,153	\$ 3,378,974
Unlisted common stock	1,146,315	1,200,430	744,070
Real estate investment trust beneficiary securities	<u>1,218,394</u>	<u>1,158,061</u>	<u>1,658,960</u>
	<u>\$ 11,126,986</u>	<u>\$ 11,577,644</u>	<u>\$ 5,782,004</u>

The Group holds equity instruments for the purpose of long-term strategic investment, for earning stable income, for increasing the rate of return of investment portfolio or for acquiring dividend income, 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 to rewards and risks management in the first quarter of 2021, the fair value of the sold of stocks was \$1,601,292 at the date of derecognition, and the disposal gain was \$293,636. 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

	March 31, 2021	December 31, 2020	March 31, 2020
Certificates of deposits purchased	\$ 119,405,695	\$ 125,377,298	\$ 92,531,881
Bank debentures	81,002,164	80,526,092	64,906,972
Corporate bonds	46,688,905	42,077,851	32,342,743
Commercial papers	43,208,933	55,036,188	47,092,293
Government bonds	33,234,376	19,493,938	10,753,796
Others	<u>16,361,668</u>	<u>5,645,314</u>	<u>470,554</u>
	<u>\$ 339,901,741</u>	<u>\$ 328,156,681</u>	<u>\$ 248,098,239</u>

- 1) Loss allowance of debt instruments at fair value through other comprehensive income were \$64,660, \$61,452 and \$48,801 on March 31, 2021, December 31, 2020 and March 31, 2020, respectively. Credit risk management and information of impairment valuation of debt instruments at FVTOCI are shown in Note 44.
- 2) As of March 31, 2021, December 31, 2020 and March 31, 2020, the par value of debt instruments at FVTOCI under repurchase agreements were \$5,548,713, \$1,044,255 and \$469,340, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	March 31, 2021	December 31, 2020	March 31, 2020
Government bonds	\$ 55,755,302	\$ 55,013,400	\$ 59,744,312
Certificates of deposits purchased	40,797,663	49,812,542	48,041,400
Bank debentures	29,271,537	29,438,199	23,329,274
Asset-based securities	13,878,976	15,356,937	-
Corporate bonds	11,292,704	11,296,477	10,759,580
Others	<u>1,441,913</u>	<u>1,462,770</u>	<u>1,265,700</u>
	152,438,095	162,380,325	143,140,266
Less: Loss allowance	<u>(11,860)</u>	<u>(11,891)</u>	<u>(8,219)</u>
Net amount	<u>\$ 152,426,235</u>	<u>\$ 162,368,434</u>	<u>\$ 143,132,047</u>

- Credit risk management and information of impairment valuation of investments in debt instruments at amortized cost are shown in Note 44.
- Please refer to Note 41 for information relating to investments in debt instruments at amortized cost pledged as security.
- As of March 31, 2021, December 31, 2020 and March 31, 2020, the par value of investments in debt instruments at amortized cost under repurchase agreements were \$118,200, \$230,200 and \$3,796,700, respectively.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Commercial papers	\$ 51,175,559	\$ 42,403,035	\$ 14,475,310
Government bonds	4,928,031	1,054,436	2,905,924
Corporate bonds	3,041,958	2,158,178	1,830,743
Bank debentures	2,606,559	2,085,123	2,274,214
Negotiable certificates of deposits	<u>2,026,311</u>	<u>2,947,256</u>	<u>\$ 2,176,744</u>
	<u>\$ 63,778,418</u>	<u>\$ 50,648,028</u>	<u>\$ 23,662,935</u>
Agreed-upon resell amount	\$ 63,789,885	\$ 50,660,005	\$ 23,680,364
Par value	65,544,896	51,210,199	24,195,181
Expiry	July 2021	April 2021	May 2020

As of March 31, 2021, December 31, 2020 and March 31, 2020, the par value of securities purchased under resell agreements under repurchase agreements were \$8,134,694, \$2,356,271 and \$2,543,519, respectively.

12. RECEIVABLES, NET

	March 31, 2021	December 31, 2020	March 31, 2020
Credit card receivable	\$ 17,990,311	\$ 19,109,830	\$ 16,692,786
Accounts receivable - factoring	11,726,955	10,588,014	10,402,500
Accounts receivable - forfaiting	7,022,507	6,896,929	4,864,473
Acceptances	5,205,232	5,464,770	2,980,645
Interest and revenue receivables	3,694,333	4,271,609	3,763,980
Accounts and notes receivables	1,152,849	1,398,518	3,144,282
Trust administration fee revenue receivable	750,325	678,791	721,518
Accounts receivable - disposal of subsidiary	-	-	212,899
Others	<u>771,642</u>	<u>1,388,367</u>	<u>903,742</u>
	48,314,154	49,796,828	43,686,825
Less: Allowance for credit losses	(729,795)	(735,517)	(697,549)
Less: Premium or discount on receivables	<u>(33)</u>	<u>(28)</u>	<u>(29)</u>
Net amount	<u>\$ 47,584,326</u>	<u>\$ 49,061,283</u>	<u>\$ 42,989,247</u>

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

	For the Three Months Ended March 31	
	2021	2020
Balance, January 1	\$ 735,517	\$ 746,524
Provision	31,858	46,232
Write-off	(35,097)	(93,901)
Effect of exchange rate changes	<u>(2,483)</u>	<u>(1,306)</u>
Balance, March 31	<u>\$ 729,795</u>	<u>\$ 697,549</u>

Please refer to Note 44 for the analysis of receivable impairment loss. The Group received payments for loans previously written-off \$40,574 and \$41,410 for the three months ended March 31, 2021 and 2020, 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

	March 31, 2021	December 31, 2020	March 31, 2020
Export negotiation	\$ 1,127,473	\$ 632,471	\$ 448,247
Overdrafts	2,311	-	-
Secured overdrafts	60,200	45,108	72,017
Accounts receivable - financing	2,119,990	1,820,827	1,319,049
Short-term loans	153,327,144	133,451,049	165,367,154
Secured short-term loans	108,383,397	106,862,375	113,415,928
Medium-term loans	272,246,418	266,549,679	197,726,564
Secured medium-term loans	145,561,974	132,587,981	102,560,858
Long-term loans	9,380,142	8,362,312	7,842,557
Secured long-term loans	509,360,599	505,180,825	492,928,907
Non-performing loans transferred from loans	<u>1,302,936</u>	<u>948,785</u>	<u>1,641,919</u>
	1,202,872,584	1,156,441,412	1,083,323,200
Less: Allowance for credit losses	(15,418,673)	(15,001,444)	(14,046,520)
Less: Premium or discount on discounts and loans	<u>(439,986)</u>	<u>(453,916)</u>	<u>(414,466)</u>
Net amount	<u>\$ 1,187,013,925</u>	<u>\$ 1,140,986,052</u>	<u>\$ 1,068,862,214</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 2020 consolidated financial report 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 on December 31, 2021 and 2020.
- 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 Three Months Ended March 31	
	2021	2020
Balance, January 1	\$ 15,001,444	\$ 13,772,755
Provision	618,849	676,892
Write-off	(199,494)	(409,949)
Effect of exchange rate changes	<u>(2,126)</u>	<u>6,822</u>
Balance, March 31	<u>\$ 15,418,673</u>	<u>\$ 14,046,520</u>

The Group received payments for loans previously written-off \$138,125 and \$94,649 for the three months ended March 31, 2021 and 2020, respectively, which were recognized as deduction of provision expenses.

14. OTHER FINANCIAL ASSETS, NET

	March 31, 2021	December 31, 2020	March 31, 2020
Time deposits not belonging to cash and cash equivalent	\$ 6,522,540	\$ 5,917,374	\$ 7,674,138
Purchase of the PEM Group's instruments	4,215,395	4,177,027	4,411,513
Others	<u>47,597</u>	<u>40,509</u>	<u>43,073</u>
	10,785,532	10,134,910	12,128,724
Less: Allowance for credit loss	(3,025)	(1,681)	(2,597)
Less: Accumulated impairment	<u>(2,267,651)</u>	<u>(2,256,444)</u>	<u>(1,963,540)</u>
Net amount	<u>\$ 8,514,856</u>	<u>\$ 7,876,785</u>	<u>\$ 10,162,587</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 March 31, 2021, a reserve of US\$79,476 thousand (NT\$2,267,651) had been set aside to cover the accumulated impairment losses. The Bank recognized impairment loss of \$9,286 and \$41,373 for PEM Group for the three months ended March 31, 2021 and 2020.

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 Three Months Ended March 31	
	2021	2020
Balance, January 1	\$ 1,681	\$ 5,828
(Reversal of) provision	3,338	(1,393)
Write-off	(1,996)	(1,840)
Effect of exchange rate changes	<u>2</u>	<u>2</u>
Balance, March 31	<u>\$ 3,025</u>	<u>\$ 2,597</u>

The Group received payments for loans previously written-off \$3,137 and \$5,494 for the three months ended March 31, 2021 and 2020, respectively, which were recognized as deduction of provision expenses.

15. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the three months ended March 31, 2021 and 2020 are summarized as follows:

For the Three Months Ended March 31, 2021								
	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	\$ 5,598,481	\$ 5,856,779	\$ 2,181,681	\$ 1,103	\$ 1,489,163	\$ 1,535,303	\$ 216,101	\$ 16,878,611
Addition	-	1,620	38,066	-	23,077	9,517	67,898	140,178
Deduction	-	-	(31,388)	-	(19,188)	(41,086)	-	(91,662)
Reclassifications	-	2,597	(3,537)	-	680	-	(103,902)	(104,162)
Effect of exchange rate changes	-	(2,937)	(857)	(2)	(72)	(629)	(128)	(4,625)
Balance, March 31	<u>5,598,481</u>	<u>5,858,059</u>	<u>2,183,965</u>	<u>1,101</u>	<u>1,493,660</u>	<u>1,503,105</u>	<u>179,969</u>	<u>16,818,340</u>
<u>Accumulated depreciation</u>								
Balance, January 1	37	3,348,169	1,264,956	1,103	1,151,426	1,334,449	-	7,100,140
Depreciation	6	36,168	70,668	-	20,444	14,048	-	141,334
Deduction	-	-	(30,724)	-	(18,833)	(41,069)	-	(90,626)
Reclassifications	-	-	(2,825)	-	-	-	-	(2,825)
Effect of exchange rate changes	-	(359)	(615)	(2)	(51)	(552)	-	(1,579)
Balance, March 31	<u>43</u>	<u>3,383,978</u>	<u>1,301,460</u>	<u>1,101</u>	<u>1,152,986</u>	<u>1,306,876</u>	<u>-</u>	<u>7,146,444</u>
<u>Net amount</u>								
Balance, March 31	<u>\$ 5,598,438</u>	<u>\$ 2,474,081</u>	<u>\$ 882,505</u>	<u>\$ -</u>	<u>\$ 340,674</u>	<u>\$ 196,229</u>	<u>\$ 179,969</u>	<u>\$ 9,671,896</u>
For the Three Months Ended March 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	-	6,316	108,356	-	48,840	(2,037)	75,580	237,055
Deduction	-	-	(357,490)	-	(10,908)	(33,856)	-	(402,254)
Reclassifications	(2,816)	9,733	152,740	-	20,815	61,197	(295,387)	(53,718)
Effect of exchange rate changes	-	(4,835)	642	12	212	(143)	(308)	(4,420)
Balance, March 31	<u>5,576,145</u>	<u>5,728,477</u>	<u>1,981,330</u>	<u>1,172</u>	<u>1,469,366</u>	<u>1,566,010</u>	<u>155,829</u>	<u>16,478,329</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	6	33,684	50,115	-	18,829	20,490	-	123,124
Deduction	-	-	(348,739)	-	(10,778)	(32,617)	-	(392,134)
Reclassifications	-	(1,637)	-	-	-	-	-	(1,637)
Effect of exchange rate changes	-	(406)	872	12	252	340	-	1,070
Balance, March 31	<u>20</u>	<u>3,226,989</u>	<u>1,212,505</u>	<u>1,172</u>	<u>1,153,563</u>	<u>1,334,038</u>	<u>-</u>	<u>6,928,287</u>
<u>Net amount</u>								
Balance, March 31	<u>\$ 5,576,125</u>	<u>\$ 2,501,488</u>	<u>\$ 768,825</u>	<u>\$ -</u>	<u>\$ 315,803</u>	<u>\$ 231,972</u>	<u>\$ 155,829</u>	<u>\$ 9,550,042</u>

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 March 31, 2021, December 31, 2020 and March 31, 2020, the amounts of the equipment respectively was \$1,912, \$2,046 and \$2,474.

16. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amount</u>			
Land	\$ 788	\$ 1,137	\$ 2,343
Buildings	2,353,831	2,332,060	2,079,348
Machinery and computer equipment	167,291	4,193	21,512
Transportation equipment	15,403	15,706	6,935
Other equipment	1,664	720	768
Decommissioning restoration costs	<u>20,563</u>	<u>20,662</u>	<u>15,455</u>
	<u>\$ 2,559,540</u>	<u>\$ 2,374,478</u>	<u>\$ 2,126,361</u>
		For the Three Months Ended March 31	
		2021	2020
Additions to right-of-use assets		<u>\$ 365,798</u>	<u>\$ 69,484</u>
Depreciation charge for right-of-use assets			
Land		\$ 349	\$ 388
Buildings		159,749	150,227
Machinery and computer equipment		8,388	6,563
Transportation equipment		2,623	2,534
Other equipment		143	75
Decommissioning restoration costs		<u>1,588</u>	<u>969</u>
		<u>\$ 172,840</u>	<u>\$ 160,756</u>

b. Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amount	<u>\$ 2,563,196</u>	<u>\$ 2,374,065</u>	<u>\$ 2,110,586</u>

Range of discount rates for lease liabilities was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Land	0.1404%-2.6329%	0.7357%-2.6329%	0.7357%-4.8096%
Buildings	0.1553%-4.8096%	0.1553%-4.8096%	0.5609%-4.8096%
Machinery and computer equipment	0.5754%-1.0768%	0.7357%-1.0768%	0.7357%-1.7936%
Transportation equipment	0.3804%-5.5000%	0.5698%-5.5000%	0.5609%-5.5000%
Other equipment	0.3410%-3.4512%	0.3410%-3.4512%	0.7357%-0.8686%

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 Three Months Ended March 31	
	2021	2020
Expenses relating to short-term leases	\$ 3,567	\$ 4,471
Expenses relating to low-value asset leases	\$ 10,048	\$ 8,547
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 2,989	\$ 1,767
Total cash outflow for leases	\$ (203,311)	\$ (191,550)

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 Three Months Ended March 31, 2021		
	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1	\$ 776,095	\$ 592,627	\$ 1,368,722
Addition	-	12	12
Deduction	-	-	-
Reclassifications	-	-	-
Balance, March 31	<u>776,095</u>	<u>592,639</u>	<u>1,368,734</u>
<u>Accumulated depreciation</u>			
Balance, January 1	-	321,568	321,568
Depreciation	-	2,943	2,943
Deduction	-	-	-
Reclassifications	-	-	-
Balance, March 31	<u>-</u>	<u>324,511</u>	<u>324,511</u>
<u>Net amount</u>			
Balance, March 31	<u>\$ 776,095</u>	<u>\$ 268,128</u>	<u>\$ 1,044,223</u>

	For the Three Months Ended March 31, 2020		
	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1	\$ 795,615	\$ 615,081	\$ 1,410,696
Addition	-	237	237
Deduction	-	-	-
Reclassifications	<u>2,816</u>	<u>3,257</u>	<u>6,073</u>
Balance, March 31	<u>798,431</u>	<u>618,575</u>	<u>1,417,006</u>
<u>Accumulated depreciation</u>			
Balance, January 1	-	327,058	327,058
Depreciation	-	2,918	2,918
Deduction	-	-	-
Reclassifications	<u>-</u>	<u>1,637</u>	<u>1,637</u>
Balance, March 31	<u>-</u>	<u>331,613</u>	<u>331,613</u>
<u>Net amount</u>			
Balance, March 31	<u>\$ 798,431</u>	<u>\$ 286,962</u>	<u>\$ 1,085,393</u>

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 March 31, 2021, December 31, 2020 and March 31, 2020 were \$15,259,452, \$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

	March 31, 2021	December 31, 2020	March 31, 2020
Goodwill	\$ 876,717	\$ 876,717	\$ 876,717
Computer software	689,645	618,617	581,455
Others	<u>7,083</u>	<u>7,204</u>	<u>7,195</u>
	<u>\$ 1,573,445</u>	<u>\$ 1,502,538</u>	<u>\$ 1,465,367</u>

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

	Goodwill	Computer Software	Others	Total
<u>2021</u>				
Balance, January 1	\$ 876,717	\$ 618,617	\$ 7,204	\$ 1,502,538
Addition	-	25,397	-	25,397
Amortization	-	(54,896)	(64)	(54,960)
Reclassifications	-	101,337	-	101,337
Effects of exchange rate changes	-	(810)	(57)	(867)
Balance, March 31	<u>\$ 876,717</u>	<u>\$ 689,645</u>	<u>\$ 7,083</u>	<u>\$ 1,573,445</u>
<u>2020</u>				
Balance, January 1	\$ 876,717	\$ 555,412	\$ 7,358	\$ 1,439,487
Addition	-	27,457	-	27,457
Amortization	-	(47,958)	(63)	(48,021)
Reclassifications	-	47,645	-	47,645
Effects of exchange rate changes	-	(1,101)	(100)	(1,201)
Balance, March 31	<u>\$ 876,717</u>	<u>\$ 581,455</u>	<u>\$ 7,195</u>	<u>\$ 1,465,367</u>

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	2.17-10.58 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 March 31, 2021, December 31, 2020 and March 31, 2020. The impairment tests on goodwill were conducted on October 31, 2020 and 2019. The actual net income for the three months ended March 31, 2021, for the year ended December 31, 2020 and for the three months ended March 31, 2020 amounted to \$49,201, \$108,232 and \$132,101, respectively. The expected net income for the years 2021 and 2020 as assessed by the impairment test on goodwill would be \$84,069 and \$78,125, 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 March 31, 2021 and 2020.

19. OTHER ASSETS, NET

	March 31, 2021	December 31, 2020	March 31, 2020
Guarantee deposits	\$ 2,414,678	\$ 3,180,642	\$ 4,796,530
Prepayment	286,818	239,453	282,853
Temporary payment and suspense accounts	141,801	282,310	173,850
Others	<u>51,161</u>	<u>51,021</u>	<u>54,462</u>
	2,894,458	3,753,426	5,307,695
Less: Allowance for inventory write-down - gold	(268)	-	-
Less: Accumulated impairment	<u>(7,935)</u>	<u>(7,935)</u>	<u>(7,955)</u>
Net amount	<u>\$ 2,886,255</u>	<u>\$ 3,745,491</u>	<u>\$ 5,299,740</u>

20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	March 31, 2021	December 31, 2020	March 31, 2020
Call loans from banks	\$ 79,251,548	\$ 65,288,823	\$ 49,725,550
Redeposits from Chunghwa Post	10,090,000	10,090,000	10,136,060
Due to banks	<u>61,020</u>	<u>135,547</u>	<u>48,798</u>
	<u>\$ 89,402,568</u>	<u>\$ 75,514,370</u>	<u>\$ 59,910,408</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Bank debentures	\$ 7,291,449	\$ 1,999,311	\$ 463,956
Government bonds	4,453,609	869,102	6,243,556
Corporate bonds	<u>1,860,618</u>	<u>832,910</u>	<u>-</u>
	<u>\$ 13,605,676</u>	<u>\$ 3,701,323</u>	<u>\$ 6,707,512</u>
Agreed-upon repurchase price	\$ 13,616,675	\$ 3,704,779	\$ 6,715,933
Par value	13,801,607	3,630,726	6,809,559
Maturity date	March 2022	May 2021	September 2020

22. PAYABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Accounts payable - factoring	\$ 6,333,731	\$ 2,790,152	\$ 2,394,389
Acceptances payable	5,205,232	5,279,510	2,783,830
Interests payable	1,818,507	1,987,453	2,991,723
Accrued expenses	1,738,924	3,095,516	1,512,091
Dividends payable to SPH	1,435,025	1,435,025	1,435,025
Notes and checks in clearing	1,363,806	1,299,841	872,949
Accounts payable	1,027,720	1,511,649	2,641,116
Accounts payable for securities purchased	390,353	29,758	3,784,401
Others	<u>1,666,609</u>	<u>1,643,406</u>	<u>1,758,576</u>
	<u>\$ 20,979,907</u>	<u>\$ 19,072,310</u>	<u>\$ 20,174,100</u>

23. DEPOSITS AND REMITTANCES

	March 31, 2021	December 31, 2020	March 31, 2020
Checking	\$ 12,851,041	\$ 13,877,172	\$ 12,375,258
Demand	420,248,005	428,617,017	288,106,370
Savings - demand	460,479,852	434,922,075	363,880,302
Time deposits	552,728,065	527,769,585	531,387,415
Negotiable certificates of deposit	412,400	1,960,000	7,289,800
Savings - time	249,360,964	249,690,008	256,524,990
Inward remittances	1,459,634	3,055,916	817,564
Outward remittances	<u>52,835</u>	<u>59,294</u>	<u>27,021</u>
	<u>\$ 1,697,592,796</u>	<u>\$ 1,659,951,067</u>	<u>\$ 1,460,408,720</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:

	March 31, 2021	December 31, 2020	March 31, 2020	Maturity Date	Rates
Second subordinated bank debentures issued in 2011 (B)	\$ 2,999,933	\$ 2,999,891	\$ 2,999,762	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)	1,299,892	1,299,874	1,299,820	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 (B)	699,811	699,798	699,759	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	-	-	749,966	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	-	-	459,971	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	-	-	709,940	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.

(Continued)

	March 31, 2021	December 31, 2020	March 31, 2020	Maturity Date	Rates
Fourth subordinated bank debentures issued in 2015	\$ -	\$ -	\$ 139,985	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	1,500,000	1,499,969	1,499,825	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	1,030,000	1,029,963	1,029,856	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	1,419,652	1,419,621	1,419,528	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)	149,934	149,928	149,912	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)	2,099,307	2,099,279	2,099,198	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)	199,935	199,931	199,916	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)	539,770	539,761	539,735	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	2,999,423	2,999,348	2,999,120	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)	649,753	649,738	649,694	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)	499,768	499,760	499,737	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	1,999,283	1,999,229	1,999,080	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)	1,199,536	1,199,511	1,199,443	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)	1,799,210	1,799,184	1,799,115	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	2,999,735	2,999,715	2,999,655	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	1,499,370	1,499,327	1,499,197	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)	1,749,257	1,749,225	1,749,124	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)	1,749,191	1,749,168	1,749,099	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	2,999,260	2,999,217	3,000,000	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	1,999,409	1,999,392	2,000,000	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	2,899,437	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	2,599,391	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	2,099,582	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	2,399,467	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>999,673</u>	<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>\$ 45,078,979</u>	<u>\$ 45,078,282</u>	<u>\$ 36,140,437</u>		

(Concluded)

25. OTHER FINANCIAL LIABILITIES

	March 31, 2021	December 31, 2020	March 31, 2020
Principal of structured products	\$ 10,630,835	\$ 15,386,334	\$ 33,684,051
Overseas certificate of deposit	733,945	735,219	-
Cumulative earnings on appropriated loan fund	<u>40,368</u>	<u>45,529</u>	<u>40,234</u>
	<u>\$ 11,405,148</u>	<u>\$ 16,167,082</u>	<u>\$ 33,724,285</u>

26. PROVISIONS

	March 31, 2021	December 31, 2020	March 31, 2020
Provision for employee benefits	\$ 2,499,836	\$ 2,568,444	\$ 2,436,710
Provision for financing commitment	199,113	216,315	239,320
Provision for guarantee liabilities	347,517	313,880	227,955
Provision for decommissioning liabilities	100,696	99,072	93,129
Other	<u>23,688</u>	<u>15,420</u>	<u>15,848</u>
	<u>\$ 3,170,850</u>	<u>\$ 3,213,131</u>	<u>\$ 3,012,962</u>

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

	For the Three Months Ended March 31, 2021		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	\$ 216,315	\$ 313,880	\$ 15,420
(Reversal of) provision	(17,133)	33,671	8,276
Effect of exchange rate changes	<u>(69)</u>	<u>(34)</u>	<u>(8)</u>
Balance, March 31	<u>\$ 199,113</u>	<u>\$ 347,517</u>	<u>\$ 23,688</u>

	For the Three Months Ended March 31, 2020		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	\$ 141,773	\$ 206,051	\$ 17,876
(Reversal of) provision	97,293	22,096	(1,891)
Effect of exchange rate changes	<u>254</u>	<u>(192)</u>	<u>(137)</u>
Balance, March 31	<u>\$ 239,320</u>	<u>\$ 227,955</u>	<u>\$ 15,848</u>

27. PROVISIONS FOR EMPLOYEE BENEFITS

	March 31, 2021	December 31, 2020	March 31, 2020
Recognized in consolidated balance sheets (payables and provisions)			
Defined contribution plans	\$ 43,031	\$ 40,797	\$ 41,290
Defined benefit plans	2,178,010	2,245,203	2,134,443
Preferential interest on employees' deposits	297,900	293,173	285,209
Deferred annual leave and retirement benefits	<u>23,926</u>	<u>30,068</u>	<u>17,058</u>
	<u>\$ 2,542,867</u>	<u>\$ 2,609,241</u>	<u>\$ 2,478,000</u>

The pension expenses related to defined benefit plans and preferential interest on employee's deposits plan are recognized according to the results of actuarial valuation on December 31, 2020 and 2019.

	For the Three Months Ended March 31	
	2021	2020
Operating expenses	\$ 26,060	\$ 31,686

28. OTHER LIABILITIES

	March 31, 2021	December 31, 2020	March 31, 2020
Guarantee deposits received	\$ 2,457,461	\$ 4,720,081	\$ 1,232,780
Temporary receipt and suspense accounts	521,522	597,313	651,896
Advance receipts	200,408	249,332	123,041
Deferred revenue	99,869	101,752	299,365
Others	<u>42,196</u>	<u>43,387</u>	<u>30,272</u>
	<u>\$ 3,321,456</u>	<u>\$ 5,711,865</u>	<u>\$ 2,337,354</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 Three Months Ended March 31	
	2021	2020
Current tax		
Current period	\$ 447,284	\$ 533,056
Adjustments for prior period	(98)	-
Deferred tax		
Temporary adjustment	<u>106,270</u>	<u>(43,389)</u>
Income tax expenses recognized in profit or loss	<u>\$ 553,456</u>	<u>\$ 489,667</u>

Because of the uncertainty of the earnings distribution in the 2021 shareholder's meeting, the potential consequence of imposing 5% income tax on unappropriated earnings could not be decided reliably.

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 Three Months Ended March 31	
	2021	2020
<u>Deferred tax</u>		
Adjustments of current period		
Exchange difference on translating foreign operations	\$ 15,272	\$ 25,518
Unrealized gains on financial assets at fair value through other comprehensive income	<u>17,510</u>	<u>(68,753)</u>
Income tax recognized in other comprehensive income	<u>\$ 32,782</u>	<u>\$ (43,235)</u>

c. The Bank's tax returns through 2015 had been assessed by the tax authorities.

d. 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, 2021	\$ (582,164)	\$ 1,861,132	\$ 3,381,218	\$ (82,343)	\$ 4,577,843
Exchange differences					
Exchange differences on translation of foreign operations	(76,359)	-	-	-	(76,359)
Related income tax	15,272	-	-	-	15,272
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	1,113,815	(2,526,893)	-	(1,413,078)
Adjustment for loss allowance of debt instruments	-	-	3,208	-	3,208
Current disposal	-	-	(249,288)	-	(249,288)
Cumulative realized gain or loss transferred to retained earnings due to disposal	-	(293,636)	-	-	(293,636)
Related income tax	-	-	17,510	-	17,510
Change in fair value of financial liability attributable to change in credit risk of liability					
Change in amount	-	-	-	3,051	3,051
Balance March 31, 2021	\$ (643,251)	\$ 2,681,311	\$ 625,755	\$ (79,292)	\$ 2,584,523

	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	(127,589)	-	-	-	(127,589)
Related income tax	25,518	-	-	-	25,518
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	(927,699)	(1,201,340)	-	(2,129,039)
Adjustment for loss allowance of debt instruments	-	-	10,923	-	10,923
Current disposal	-	-	(74,293)	-	(74,293)
Cumulative realized gain or loss transferred to retained earnings due to disposal	-	(22,526)	-	-	(22,526)
Related income tax	-	-	(68,753)	-	(68,753)
Change in fair value of financial liability attributable to change in credit risk of liability					
Change in amount	-	-	-	(11,321)	(11,321)
Balance March 31, 2020	<u>\$ (772,082)</u>	<u>\$ (118,846)</u>	<u>\$ (434,869)</u>	<u>\$ (79,363)</u>	<u>\$ (1,405,160)</u>

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 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 2020 appropriations of earnings 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 Three Months Ended March 31	
	2021	2020
Interest income		
Loans	\$ 5,161,028	\$ 5,759,158
Security investments	1,448,533	1,402,069
Due from the Central Bank and call loans to banks	141,232	417,023
Credit card revolving interest rate income	131,217	145,513
Others	<u>128,904</u>	<u>209,580</u>
	<u>7,010,914</u>	<u>7,933,343</u>
Interest expenses		
Deposits	(1,740,409)	(3,279,928)
Bank debentures	(196,546)	(177,534)
Call loans from banks	(107,408)	(195,623)
Interest expense of structured products	(82,491)	(184,758)
Others	<u>(41,848)</u>	<u>(68,432)</u>
	<u>(2,168,702)</u>	<u>(3,906,275)</u>
Net amount	<u>\$ 4,842,212</u>	<u>\$ 4,027,068</u>

32. SERVICE FEE INCOME, NET

	For the Three Months Ended March 31	
	2021	2020
Service fee income		
Insurance services	\$ 1,037,525	\$ 1,103,884
Trust and related services	881,117	675,579
Loan services	480,486	409,444
Credit card services	168,248	300,295
Others	<u>294,736</u>	<u>231,780</u>
	<u>2,862,112</u>	<u>2,720,982</u>
Service fee expenses		
Credit card services	(140,588)	(139,316)
Interbank services	(65,665)	(48,566)
Trust services	(39,857)	(39,786)
Insurance services	(10,987)	(17,878)
Foreign exchange transaction	(9,586)	(11,872)
Others	<u>(67,926)</u>	<u>(68,619)</u>
	<u>(334,609)</u>	<u>(326,037)</u>
Net amount	<u>\$ 2,527,503</u>	<u>\$ 2,394,945</u>

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

	For the Three Months Ended March 31	
	2021	2020
Disposal gain (loss) on financial assets and liabilities at fair value through profit or loss		
Corporate bonds	\$ 80,561	\$ (6,191)
Government bonds	(63,373)	305,676
Interest rate swap contracts	783,190	(766,168)
Currency swap contracts and hybrid FX swap structured instruments	73,857	964,157
Option contracts	56,141	(81,034)
Future contracts	(134,243)	(47,953)
Others	<u>8,671</u>	<u>(65,423)</u>
	<u>804,804</u>	<u>303,064</u>
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss		
Listed stocks	16,377	-
Bank debentures	(26,089)	(27,013)
Corporate bonds	(73,550)	(49,073)
Government bonds	(145,865)	94,240
Future contracts	208,648	39,647
Forward contracts	(35,989)	(91,642)
Currency swap contracts and hybrid FX swap structured instruments	(36,236)	(594,299)

(Continued)

	For the Three Months Ended March 31	
	2021	2020
Option contracts	\$ (58,014)	\$ (1,056,963)
Interest rate swap contracts	(451,650)	1,863,876
Others	<u>1,778</u>	<u>1,029</u>
	<u>(600,590)</u>	<u>179,802</u>
Interest income	<u>59,131</u>	<u>79,815</u>
	<u>\$ 263,345</u>	<u>\$ 562,681</u>
		(Concluded)

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

	For the Three Months Ended March 31	
	2021	2020
Dividends revenue		
Holding at the end of the reporting period	\$ 39,113	\$ 30,916
Gain or loss from disposal of debt instruments	<u>249,288</u>	<u>74,293</u>
	<u>\$ 288,401</u>	<u>\$ 105,209</u>

35. NET OTHER REVENUE OTHER THAN INTEREST INCOME

	For the Three Months Ended March 31	
	2021	2020
Rental income	\$ 22,744	\$ 22,601
Operating assets rental income	6,764	6,876
Insurance claims income	-	19,758
Others	<u>4,690</u>	<u>60,881</u>
	<u>\$ 34,198</u>	<u>\$ 110,116</u>

36. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended March 31	
	2021	2020
Salaries and wages	\$ 2,082,153	\$ 1,874,243
Labor insurance and national health insurance	174,775	154,543
Pension costs	80,625	82,259
Cash-settled share based payment transaction	359	-
Others	<u>188,801</u>	<u>165,812</u>
	<u>\$ 2,526,713</u>	<u>\$ 2,276,857</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 \$17,197 and \$15,715 as employees' compensation and \$5,737 and \$5,632 as remuneration of directors for the three months ended March 31, 2021 and 2020.

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 recognize the compensation as cash-settled share-based employee benefits expense.

37. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Three Months Ended March 31	
	2021	2020
Depreciation expense		
Land improvements	\$ 6	\$ 6
Buildings	39,111	36,602
Machinery and computer equipment	70,668	50,115
Other equipment	20,444	18,829
Leasehold improvements	14,048	20,490
Right-of-use assets	172,840	160,756
	<u>317,117</u>	<u>286,798</u>
Amortization expense	<u>54,960</u>	<u>48,021</u>
	<u>\$ 372,077</u>	<u>\$ 334,819</u>

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended March 31	
	2021	2020
Taxation and fees	\$ 321,754	\$ 328,790
Automated equipment	106,782	97,423
Professional advisory	105,195	101,372
Location fee	95,511	95,009
Insurance	93,792	79,421
Communications expense	73,062	69,270
Marketing	71,098	149,474
Others	<u>121,523</u>	<u>136,189</u>
	<u>\$ 988,717</u>	<u>\$ 1,056,948</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.

The numerators and denominators used in computing earnings per shares (EPS) are summarized as follows:

Dollar per share

	For the Three Months Ended March 31	
	2021	2020
Basic EPS	<u>\$ 0.37</u>	<u>\$ 0.30</u>

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

Net income

	For the Three Months Ended March 31	
	2021	2020
Net income for calculating basic EPS	<u>\$ 3,188,067</u>	<u>\$ 2,616,765</u>

Shares

(Shares in Thousands)

	For the Three Months Ended March 31	
	2021	2020
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

Related Party	Relationship with the Group
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Venture Capital Corporation (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 Corporation (SinoPac Securities Investment Service)	Subsidiary of SinoPac Securities
SinoPac Securities Venture Capital Corporation (SinoPac Securities Venture Capital)	Subsidiary of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Capital (Asia) Limited	Affiliate of SinoPac Securities
SinoPac Capital International Limited	Subsidiary of SPL
SinoPac Capital International (HK) Limited	Subsidiary of SPL
SinoPac International Leasing Corporation (SPIL)	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
Shin Yuan Investment Co., Ltd. (Shin Yuan Investment)	Affiliate of SPH's corporate director
Sun He Energy Co., Ltd. (Sun He Energy)	Corporate director of SinoPac Venture Capital
Hsin Yi Recreation Enterprise Co., Ltd. (Hsin Yi Recreation)	Affiliate of SPH's corporate director
Yuen Foong Paper Co., Ltd. (Yuen Foong Paper)	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
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
Evercast Precision Industry Corporation (Evercast Precision)	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

(Continued)

Related Party	Relationship with the Group
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 (before March 2021)
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
Universal Cement Corporation (Universal Cement)	Related party
Hoss Venture Inc. (Hoss Venture)	Related party
Shin Foong Specialty And Applied Materials Co., Ltd. (Shin Foong Specialty And Applied Materials)	Related party
E Ink Holdings Inc. (E Ink Holdings)	Related party
Hsin-Yi Foundation	Related party
Foundation of Fire Fighting Development	Related party
YFY Investment Ltd. (YFY Investment)	Related party
YuanHan Material Inc. (YuanHan Material)	Related party
Tech Smart Logistics Ltd.	Related party
Dream Universe Limited	Related party
China Color Printing Co., Ltd. (China Color Printing)	Related party
PVI Global Corporation	Related party
YFY Biotech Management Co., Ltd. (YFY Biotech Management)	Related party
Effion Enertech Co., Ltd. (Effion Enertech)	Related party
Yong Hsin Yi Enterprise Co., Ltd. (Yong Hsin Yi Enterprise)	Related party
Willpower Industries Limited	Related party
Hoss Capital Inc. (Hoss Capital)	Related party
Hydis Technologies Co., Ltd.	Related party
SinoPac Securities Investment Trust Funds	Related party
New Field E-Paper Co., Ltd. (New Field E-Paper)	Related party
Transcend Optronics (YangZhou) Co., Ltd. (Transcend Optronics (YangZhou))	Related party
TransYork Technology (YangZhou) Ltd. (TransYork Technology (YangZhou))	Related party
Foongtone technology Co., Ltd. (Foongtone technology)	Related party
Taigen Biotechnology Co., Ltd. (Taigen Biotechnology)	Related party
Rich Optronics (YangZhou) Co., Ltd. (Rich Optronics (YangZhou))	Related party
Sino Cell Technologies Ltd.(Sino Cell Technologies)	Related party
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
Foundation of SinoPac (In progress)	Related party

(Continued)

Related Party	Relationship with the Group
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

2021

	March 31		For the Three Months Ended March 31
	Ending Balance	Interest (%)	Interest Revenue
Call loans to banks Hua Nan Bank	\$ -	0.51-2.00	\$ 1,198

2020

	December 31	
	Ending Balance	Interest (%)
Call loans to banks Hua Nan Bank	\$ 997,793	0.05-2.37
Grand Bills Finance	-	0.45

	March 31		For the Three Months Ended March 31
	Ending Balance	Interest (%)	Interest Revenue
Call loans to banks Hua Nan Bank	\$ 1,211,200	0.80-2.37	\$ 3,960
Grand Bills Finance	260,000	0.45	26

2) Derivative financial instruments

March 31, 2021					
	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	\$ (197)	Financial assets at fair value through profit or loss	\$ 507
SinoPac Securities	675,000	2020.8.3- 2024.8.12	(498)	Financial liabilities at fair value through profit or loss	1,797
Hua Nan Bank	5,546,579	2020.9.8- 2031.3.12	21,220	Financial assets at fair value through profit or loss	36,382
Hua Nan Bank	500,000	2020.4.13- 2030.4.15	249	Financial liabilities at fair value through profit or loss	410
Forward contracts					
YFY International	1,569,296	2020.10.16- 2021.6.4	(5,549)	Financial assets at fair value through profit or loss	26,265
Currency swap contracts					
SinoPac Securities	1,539,319	2021.1.12- 2021.6.15	8,459	Financial assets at fair value through profit or loss	8,459
SinoPac Securities	86,967	2021.3.29- 2021.6.30	(496)	Financial liabilities at fair value through profit or loss	496
December 31, 2020					
	Contract (Notional) Amount	Contract Period		Account	Balance
Interest rate swap contracts					
SinoPac Securities	\$ 500,000	2020.3.9-2022.3.9		Financial assets at fair value through profit or loss	\$ 703
SinoPac Securities	675,000	2020.8.3-2024.8.12		Financial liabilities at fair value through profit or loss	1,300
Hua Nan Bank	3,546,579	2020.9.8-2030.11.20		Financial assets at fair value through profit or loss	15,162
Hua Nan Bank	1,000,000	2020.4.13-2030.7.9		Financial liabilities at fair value through profit or loss	1,266
Forward contracts					
YFY International	2,138,128	2020.10.16-2021.6.4		Financial assets at fair value through profit or loss	46,999
Tatung Company	28,028	2020.9.17-2021.1.27		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		Financial assets at fair value through profit or loss	24,044
March 31, 2020					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Interest rate swap contracts					
SinoPac Securities	\$ 800,000	2015.8.26- 2022.3.9	\$ 1,639	Financial assets at fair value through profit or loss	\$ 2,391
SinoPac Securities	300,000	2015.9.1- 2020.9.1	122	Financial liabilities at fair value through profit or loss	702
Forward contracts					
YFY International	1,968,199	2020.1.7- 2020.5.26	(27,788)	Financial liabilities at fair value through profit or loss	27,788
YFY Cayman	908,400	2020.2.5- 2020.5.12	(10,850)	Financial liabilities at fair value through profit or loss	10,850
Boardtek Electronics	60,560	2020.2.4- 2020.4.13	152	Financial assets at fair value through profit or loss	152

3) Securities purchased under resell agreements

2021

	March 31		For the Three Months Ended March 31
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	\$ 970,110	\$ 830,300	\$ 1,095

2020

	December 31	
	Face Amount	Carrying Amount
SinoPac Securities	\$ 969,285	\$ 829,594

	March 31		For the Three Months Ended March 31
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	\$ 1,244,205	\$ 1,090,245	\$ 8,187

4) Receivables and payables

	March 31, 2021	December 31, 2020	March 31, 2020
Receivables			
YFY Packaging (YangZhou)	\$ -	\$ 72,945	\$ 266,298
Others	<u>3,960</u>	<u>2,937</u>	<u>11,450</u>
	<u>\$ 3,960</u>	<u>\$ 75,882</u>	<u>\$ 277,748</u>
Payables			
YFY Packaging (YangZhou)	\$ -	\$ 72,945	\$ 266,298
Others	<u>20,498</u>	<u>22,379</u>	<u>42,022</u>
	<u>\$ 20,498</u>	<u>\$ 95,324</u>	<u>\$ 308,320</u>
Cash dividends payable to SPH	<u>\$ 1,435,025</u>	<u>\$ 1,435,025</u>	<u>\$ 1,435,025</u>

5) Current income tax assets and liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Receivables from adopting the linked-tax system	<u>\$ 1,055,020</u>	<u>\$ 1,060,924</u>	<u>\$ 1,276,102</u>
Payables from adopting the linked-tax system	<u>\$ 720,691</u>	<u>\$ 359,498</u>	<u>\$ 980,850</u>

6) Loans

For the Three Months Ended March 31, 2021

	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 9,895,037</u>	<u>\$ 10,387,412</u>	0-6.53	<u>\$ 30,535</u>

Category	March 31, 2021						
	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	292	\$ 502,663	\$ 490,199	V	-	None	Yes
Household mortgage loans	1,075	5,908,690	5,763,684	V	-	Real estate	Yes
Others:							
	SPL	970,000	900,000	V	-	Real estate	Yes
	Evercast Precision	49,674	44,126	V	-	Real estate	Yes
	Kim Great	46,474	45,749	V	-	Real estate	Yes
	Hao Yu	11,600	-	V	-	Real estate	Yes
	Hao-Xin-Di	8,542	8,330	V	-	Real estate	Yes
	Hotai Investment	3,231	3,025	V	-	Vehicle	Yes
	Others	2,886,538	2,639,924	V	-	Real estate, certificates of deposits, securities and vehicle	Yes
	Others subtotal	3,976,059	3,641,154				
	Total	\$ 10,387,412	\$ 9,895,037				

For the Year Ended December 31, 2020

	Ending Balance	Highest Balance	Interest/ Fee Rates (%)
Loans	<u>\$ 10,806,061</u>	<u>\$ 17,266,227</u>	0-10.24

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:							
	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 Three Months Ended March 31, 2020

	Ending Balance	Highest Balance	Interest/Fee Rates (%)	Interest Revenue
Loans	<u>\$ 9,773,253</u>	<u>\$ 10,257,537</u>	0-8.66	<u>\$ 36,754</u>

Category	March 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	308	\$ 489,220	\$ 475,514	V	-	None	Yes
Household mortgage loans	1,025	5,279,623	5,151,298	V	-	Real estate	Yes
Others:							
	SPL	975,000	900,000	V	-	Real estate	Yes
	Boardtek Electronics	800,000	800,000	V	-	Real estate	Yes
	Evercast Precision	51,838	51,302	V	-	Real estate	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Kim Great	17,272	16,901	V	-	Real estate	Yes
	Hao Yu	16,400	15,200	V	-	Real estate	Yes
	Hao-Xin-Di	9,381	9,174	V	-	Real estate	Yes
	Greatwell Enterprise	8,200	8,200	V	-	Real estate	Yes
	Shyang Yih Logistics	38	-	V	-	Vehicle	Yes
	Others	2,580,565	2,315,664	V	-	Real estate, certificates of deposit and vehicle	Yes
	Others subtotal	4,488,694	4,146,441				
	Total	\$ 10,257,537	\$ 9,773,253				

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

March 31, 2021

None.

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	

March 31, 2020

Related Party	Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
Tsann Kuen Enterprise	\$ 8,000	\$ 8,000	\$ -	0.5%	None, Note	
Others	2	-	-	1.75%	None, Note	

Note: Non-related party at the Bank at the loan's sign date.

8) Financial assets at fair value through other comprehensive income

	March 31, 2021	December 31, 2020	March 31, 2020
Equity instrument			
Quanta Computer	\$ 322,420	\$ 266,161	\$ -
TAIFX	19,727	16,055	17,775
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 three months ended March 31, 2020 was \$15 (March 31, 2021: None).

10) Property and equipment

In the three months ended March 31, 2021 and 2020, the Bank purchased property and equipment from its related parties for a total price of \$4,614 and \$8,349, respectively, recognized as machinery and computer and prepayments for equipment.

The Bank leased other equipment from SPL, due to the date, March 31, 2021, December 31, 2020 and March 31, 2020, the carrying amount were \$100, \$117 and \$170, respectively.

11) Intangible assets

In the three months ended March 31, 2021 and 2020, the Bank purchased computer software from its related parties for in the amount of \$570 and \$3,086, respectively, recognized as intangible assets.

12) Other assets

	March 31, 2021	December 31, 2020	March 31, 2020
Prepayments			
Others	\$ 5,006	\$ 5,108	\$ 5,376
Guarantee deposits			
SinoPac Futures	247,555	298,336	328,119
Others	\$ 8,460	\$ 8,382	\$ 8,196

The Bank signed an agreement with other related parties for the purchase. The Bank paid \$10,806 and \$7,493 for the three months ended March 31, 2021 and 2020, which were recognized as prepayments (other assets) or other operating expenses.

The amount of undiscounted guarantee deposits from lease contract was \$12,903 as of March 31, 2021, December 31, 2020 and March 31, 2020.

13) Notes and bonds transaction

	For the Three Months Ended March 31, 2021	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Hua Nan Bank	\$ -	\$ 5,003,395
	For the Three Months Ended March 31, 2020	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
SPH	\$ 2,000,000	\$ -
SinoPac Securities	-	4,700,000

14) Deposits from the Central Bank and banks

2021

	March 31		For the Three Months Ended March 31
	Ending Balance	Interest Rates (%)	Interest Expense
Hua Nan Bank	\$ -	0.10-0.40	\$ 192

2020

	December 31	
	Ending Balance	Interest Rates (%)
Hua Nan Bank	\$ 1,282,877	0.08-12.00
	March 31	
	Ending Balance	Interest Rates (%)
Hua Nan Bank	\$ 302,800	0.70-3.00
		For the Three Months Ended March 31
		Interest Expense
		\$ 431

15) Deposits

2021

For the Three Months Ended March 31		
Ending Balance	Interest Rates (%)	Interest Expense
<u>\$ 71,276,993</u>	0-24 (Note)	<u>\$ 74,899</u>
	Ending Balance	Interest Rates (%)
Pegatron	\$ 22,505,077	0.03-0.76
Quanta Computer	20,000,030	0-0.76
SinoPac Securities	4,385,439	0-0.8
SinoPac Capital International Limited	3,306,179	0.02-0.2
SinoPac Securities (Asia) Ltd.	1,849,410	0-0.95
SinoPac Capital International (HK) Limited	1,100,224	0.001-0.15
Shin Foong Specialty And Applied Materials	1,065,241	0.03-0.38
E Ink Holdings	922,619	0.001-0.815
Hsin-Yi Foundation	887,311	0.01-1.95
Foundation of Fire Fighting Development	729,527	0-0.84
YFY Investment	652,912	0.05-2.025
Nuvoton Technology	550,000	0.08-0.49
YuanHan Material	503,490	0.001-0.815
Tech Smart Logistics Ltd.	450,274	0.03
Dream Universe Limited	346,852	0.05
SinoPac Venture Capital	327,898	0.01-0.38
Hsin Yi Recreation	314,346	0.03-1.5
China Color Printing	271,135	0.03-0.815
PVI Global Corporation	270,794	0.05
YFY Biotech Management	216,900	0-0.76
SPIL	200,168	0.05-2.025
TWSE	200,000	0.03-0.76
SinoPac Securities Investment Service	176,080	0-0.815
Effion Enertech	141,313	0.03-0.76
Sun He Energy	138,834	0.03

(Continued)

	Ending Balance	Interest Rates (%)
Yong Hsin Yi Enterprise	\$ 131,457	0.03-0.45
Taiwan Riken Industrial	119,093	0-2.4
Shin Yuan Investment	118,764	0.001-0.45
Willpower Industries Limited	116,459	0.03-0.21
Hoss Capital	104,028	0.03-0.2
Others	<u>9,175,139</u>	0-24
	<u>\$ 71,276,993</u>	(Concluded)

2020

	For the Year Ended December 31	
	Ending Balance	Interest Rates (%)
	<u>\$ 63,711,992</u>	0-13
	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
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
		(Continued)

	Ending Balance	Interest Rates (%)
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)

For the Three Months Ended March 31		
Ending Balance	Interest Rates (%)	Interest Expense
<u>\$ 32,589,292</u>	0-13	<u>\$ 90,471</u>

	Ending Balance	Interest Rates (%)
Pegatron	\$ 8,616,949	0.06-0.74
SinoPac Securities	4,296,511	0-1.01
SinoPac Securities (Asia) Ltd.	1,754,619	0-2.65
Hydis Technologies Co., Ltd.	1,636,788	0.2-1.75
Hsin-Yi Foundation	821,565	0.01-2.8
Foundation of Fire Fighting Development	733,646	0-1.08
YFY Cayman	733,535	0.2-2.2
SinoPac Capital (Asia) Limited	387,738	0-2.65
Dream Universe Limited	360,251	0.05
YFY Biotech Management	358,091	0-1.01
SinoPac Capital International Limited	330,611	0.01-0.35
Rich Optronics (YangZhou)	304,338	0.05-3.9
E Ink Holdings	293,647	0.001-1.01
China Color Printing	270,527	0.03-0.815
YFY Packaging (YangZhou)	269,120	0.35-3.6
TransYork Technology (YangZhou)	251,282	0.05-3.1
Shin Foong Specialty And Applied Materials	251,206	0.03-0.815
SPL	232,735	0.02-0.35
SinoPac Venture Capital	231,087	0.03-2.01
TWSE	200,000	0.03-1.01
Taiwan Securities Association	198,385	0.08-1.08
Hsin Yi Recreation	193,425	0.03-2.9
SPIL	178,224	0.05-1.2075
Yong Hsin Yi Enterprise	153,655	0.03-2.25
SinoPac Securities Investment Service	152,798	0-0.815
PVI Global Corporation	146,980	0.05-3.1
		(Continued)

	Ending Balance	Interest Rates (%)
Sino Cell Technologies	\$ 143,364	0-0.35
Shin Yuan Investment	135,898	0.001-2.25
Yuen Foong Paper	135,015	0-1.09
Taigen Biotechnology	129,161	0-2.1
Shen's Art Printing	127,891	0.03-2.2
Hoss Capital	122,065	0.03-0.35
SinoPac Futures	113,939	0.001-1.01
Taiwan Riken Industrial	107,062	0-2.3
YuanHan Material	102,781	0.001-0.815
Others	<u>8,114,403</u>	0-13
	<u>\$ 32,589,292</u>	(Concluded)

Note: The preferential savings rates included in the interest rates of insurance products and those transactions are at arm's length with unrelated parties.

16) 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, for the three months ended March 31, 2020.

17) Other liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Guarantee deposits received	\$ 10,791	\$ 10,795	\$ 10,946
Advance receipts	7	58	52

18) Revenues and expenses

	For the Three Months Ended March 31	
	2021	2020
Lease contracts - guarantee deposits interest revenue	\$ 78	\$ 75
Lease contracts - interest expenses	7,980	8,330
Commissions and fee revenues	21,616	49,960
Commissions and fee expenses	16,618	23,434
Other revenues	2,688	3,798
Lease contracts - depreciation expenses	26,649	26,810
Other general and administrative expenses	36,068	35,509

19) Operating lease

The Group as a lessee

	March 31, 2021	December 31, 2020	March 31, 2020
Lease contracts - right of use, net			
SPL	\$ 660,920	\$ 675,064	\$ 709,808
Chunghwa Telecom	141,683	152,868	186,425
Others	15,973	16,814	2,681
Lease contracts - lease liability			
SPL	677,827	688,469	712,119
Chunghwa Telecom	142,978	154,074	187,197
Others	15,961	16,785	2,693

a) Guarantee deposits - 2021

Please refer to Note 40,b.12).

The Group as a lessor

Lessee	Rental Income		Lease Term	Receiving Frequency
	For the Three Months			
	Ended March 31			
	2021	2020		
SinoPac Securities	\$ 7,977	\$ 7,916	November 2025	Rentals received monthly
SinoPac Securities Investment Trust	2,420	2,430	July 2024	Rentals received monthly
SPL	1,605	1,632	July 2021	Rentals received monthly
Yuen Foong Shop	1,091	1,080	January 2022	Rentals received monthly
Yuen Foong Yu Biotech	849	865	October 2025	Rentals received monthly
Others	1,582	1,468	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.

20) Others

To discharge corporate social responsibility, the Bank and SinoPac Securities propose to contribute \$32,000 jointly to establish Foundation of SinoPac (In progress). The Bank approved to supply \$27,000 in August 2020, and replied by letter to contact the authorities in March 2021.

c. Compensation of directors, supervisors and management personnel

	For the Three Months Ended March 31	
	2021	2020
Short-term employee benefits	\$ 25,042	\$ 24,589
Post-employment benefits	<u>12,764</u>	<u>936</u>
	<u>\$ 37,806</u>	<u>\$ 25,525</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	March 31, 2021	December 31, 2020	March 31, 2020	Purposes
Due from the Central Bank and call loans to banks	Deposit reserve - demand accounts	\$ 5,000,000	\$ 5,000,000	\$ -	Note 1
Investment in debt instruments at amortized cost	Certificates of deposits	8,142,663	8,142,542	5,151,400	Note 2
Investment in debt instruments at amortized cost	Government bonds	1,402,222	1,379,738	1,144,963	Note 3
Discounts and loans	Loans	17,104,667	13,801,044	1,948,003	Note 4
Other financial assets	Certificates of deposits	2,609,016	2,629,944	2,558,046	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 March 31, 2021, December 31, 2020 and March 31, 2020 were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Trust assets	\$ 559,119,846	\$ 529,513,877	\$ 527,009,512
Securities under custody	179,562,723	169,305,568	153,625,067
Agent for government bonds	87,654,000	82,429,900	102,706,000
Receipts under custody	25,177,657	25,798,395	25,533,051
Guarantee notes payable	11,318,979	11,313,886	8,274,746
Agent for marketable securities under custody	6,419,100	7,499,160	9,466,900
Appointment of investment	3,474,208	3,204,791	2,869,123
Goods under custody	1,148,276	1,161,933	1,180,807
Travelers' checks consigned-in	-	-	146,892

As of March 31, 2021, 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 March 31, 2021, the Bank recognized operating expense in the amount of \$48,000 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 \$712,337 and \$499,350 of which \$532,368 and \$343,521 had not been paid as of March 31, 2021 and 2020.
- 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. On March 23, 2021, the Supreme Court dismissed the appeal to SinoPac Leasing (conviction affirmed), and remanded the Bank's case to Taiwan High Court.

- 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. For example, historical volatility used in valuing options is an unobservable input, because it cannot represent the entire market participants' expectation for future volatility.

b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

Financial Instruments Measured at Fair Value	March 31, 2021			
	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	\$ 263,135	\$ 263,135	\$ -	\$ -
Bonds	21,924,262	20,848,036	1,076,226	-
Certificates of deposits purchased and others	4,187,571	-	4,187,571	-
Financial assets designated at fair value through profit or loss				
Bonds	2,400,548	2,400,548	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	11,126,986	8,762,277	1,218,394	1,146,315
Debt instruments at FVTOCI				
Bonds	163,889,371	109,184,351	52,850,897	1,854,123
Certificates of deposits purchased and others	176,012,370	-	176,012,370	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	1,538,764	-	1,538,764	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	15,441,655	97,648	14,987,542	356,465
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	15,416,384	37,774	14,915,795	462,815

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	March 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				
Bonds	\$ 41,184,424	\$ 40,904,293	\$ 280,131	\$ -
Others	10,093,773	-	10,093,773	-
Financial assets designed at fair value through profit or loss				
Bonds	774,318	774,318	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	5,782,004	4,039,934	998,000	744,070
Debt instruments at FVTOCI				
Bonds	108,432,568	67,255,926	40,268,242	908,400
Certificates of deposits purchased and others	139,665,671	-	139,665,671	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	1,562,317	-	1,562,317	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	18,510,519	54,451	17,606,689	849,379
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	19,441,380	30,951	18,021,370	1,389,059

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. 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.

Fair value are determined as follows: (a) listed stocks and 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 market quotation, calculated through an internal model or provided by a counter-party.

The Group 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 three months ended March 31, 2021, the Group transferred part of the NTD government bonds and foreign corporate bonds from Level 1 to Level 2 because the Group determined these investments were not in an active market.

For the three months ended March 31, 2020, the Group transferred part of the NTD government 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.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the Three Months Ended March 31, 2021									
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	Transfer Out of Level 3		
<u>Non-derivative financial instruments</u>									
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	\$ 1,200,430	\$ -	\$ (54,115)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,146,315
Debt instruments at FVTOCI	1,838,716	-	13,829	-	-	-	-	1,578	1,854,123
<u>Derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	277,946	78,519	-	-	-	-	-	-	356,465

For the Three Months Ended March 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)	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	\$ -	\$ (371,377)	\$ -	\$ -	\$ (77,704)	\$ -	\$ -	\$ 744,070
Debt instruments at FVTOCI	903,366	-	-	-	-	-	-	5,034	908,400
<u>Derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	679,835	169,544	-	-	-	-	-	-	849,379

Note: Including the reduced capital by the investee.

For the three months ended March 31, 2021 and 2020, the gains on valuation included in net income with assets still held were gains \$84,262 and \$236,139, respectively.

For the three months ended March 31, 2021 and 2020, the losses on valuation included in other comprehensive income with assets still held were losses \$40,286 and \$71,377, respectively.

b) Reconciliation of Level 3 items of financial liabilities

For the Three Months Ended March 31, 2021								
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	\$ 881,535	\$ (418,720)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 462,815

For the Three Months Ended March 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	\$ 281,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,389,059

For the three months ended March 31, 2021 and 2020, the gains and losses on valuation results included in net income from liabilities still held were gains \$412,354 and losses \$353,445, 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:

March 31, 2021

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	\$ 318,695	\$ 318,505	Sellers' quote	(Note 1)	-
Others	<u>37,770</u>	<u>144,310</u>	Sellers' quote	(Notes 1 and 2)	-
	<u>\$ 356,465</u>	<u>\$ 462,815</u>			
<u>Non-derivative financial instruments</u>					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted common stock	<u>\$ 1,146,315</u>	<u>\$ -</u>	Market approach or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	<u>\$ 1,854,123</u>	<u>\$ -</u>	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-

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)	-

March 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	\$ 731,101	\$ 730,663	Sellers' quote	(Note 1)	-
Others	<u>118,278</u>	<u>658,396</u>	Sellers' quote	(Notes 1 and 2)	-
	<u>\$ 849,379</u>	<u>\$ 1,389,059</u>			
<u>Non-derivative financial instruments</u>					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted common stock	<u>\$ 744,070</u>	<u>\$ -</u>	Market approach or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	<u>\$ 908,400</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:

March 31, 2021

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	\$ (45,194)	\$ 45,194

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

March 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	\$ (22,304)	\$ 22,304

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	March 31, 2021	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 152,426,235	\$ 155,266,135
Bank debentures	45,078,979	45,885,664

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	March 31, 2020	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 143,132,047	\$ 145,776,591
Bank debentures	36,140,437	36,905,514

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	March 31, 2021			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 155,266,135	\$ 55,173,561	\$ 100,092,574	\$ -
Bank debentures	45,885,664	1,793,901	26,925,523	17,166,240

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	March 31, 2020			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 145,776,591	\$ 64,556,638	\$ 81,219,953	\$ -
Bank debentures	36,905,514	2,000,000	20,674,614	14,230,900

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' 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. 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		
	March 31, 2021	December 31, 2020	March 31, 2020
Undrawn credit card commitments	\$ 201,445,081	\$ 197,690,182	\$ 187,928,156
Undrawn loan commitments	38,378,312	37,293,962	28,873,040
Guarantees	35,256,084	31,020,811	22,466,763
Standby letter of credit	7,344,439	6,099,606	3,781,760

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	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
Private enterprise	\$ 564,620,578	46.94	\$ 530,596,516	45.88	\$ 513,293,836	47.38
Public enterprise	9,697,579	0.81	8,382,928	0.72	7,157,921	0.66
Government sponsored enterprise and business	51,054,351	4.24	44,352,603	3.84	12,937,159	1.20
Nonprofit organization	208,726	0.02	208,833	0.02	257,351	0.02
Private	564,546,666	46.93	558,253,076	48.27	530,104,488	48.93
Financial institutions	12,744,684	1.06	14,647,456	1.27	19,572,445	1.81
Total	\$ 1,202,872,584	100.00	\$ 1,156,441,412	100.00	\$ 1,083,323,200	100.00

b) By region

Regions	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 968,629,149	80.53	\$ 933,500,404	80.72	\$ 886,335,256	81.82
Asia	118,870,566	9.88	113,418,378	9.81	106,715,013	9.85
North America	78,876,255	6.56	72,737,224	6.29	57,357,577	5.29
Others	36,496,614	3.03	36,785,406	3.18	32,915,354	3.04
Total	\$ 1,202,872,584	100.00	\$ 1,156,441,412	100.00	\$ 1,083,323,200	100.00

c) By collateral

Collaterals	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
Credit	\$ 422,245,070	35.10	\$ 395,440,562	34.19	\$ 362,362,547	33.45
Secured						
Stocks	5,678,996	0.47	5,940,428	0.51	4,424,558	0.41
Bonds	15,441,903	1.29	15,316,260	1.32	17,361,346	1.60
Real estate	689,236,488	57.30	671,963,801	58.11	638,078,701	58.90
Movable collaterals	45,258,922	3.76	44,290,787	3.83	41,515,112	3.83
Guarantees	13,959,900	1.16	12,781,343	1.11	8,751,725	0.81
Others	11,051,305	0.92	10,708,231	0.93	10,829,211	1.00
Total	\$ 1,202,872,584	100.00	\$ 1,156,441,412	100.00	\$ 1,083,323,200	100.00

d) Credit risk exposure rating

March 31, 2021	Principal				Allowance				
	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	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans									
Corporate banking	\$ 645,875,254	\$ 1,867,838	\$ 5,434,064	\$ 653,177,156	\$ 1,998,719	\$ 778,551	\$ 1,491,302	\$ 3,688,713	\$ 7,957,285
Consumer banking	543,849,896	4,551,600	1,293,932	549,695,428	212,098	286,788	211,278	6,751,224	7,461,388
Receivables									
Credit card receivable	16,987,545	224,989	777,777	17,990,311	7,685	10,225	28,188	155,080	201,178
Accounts receivable - factoring (Note 1)	5,393,224	-	-	5,393,224	5,410	-	-	129,702	135,112
Other receivable (Note 2)	18,291,021	17,811	288,056	18,596,888	26,045	2,556	244,708	120,196	393,505
Debt instruments at fair value through other comprehensive income	339,901,741	-	-	339,901,741	64,660	-	-	-	64,660
Investment in debt instruments at amortized cost	152,438,095	-	-	152,438,095	11,860	-	-	-	11,860

December 31, 2020	Principal				Allowance				
	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	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
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									
Credit card receivable	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)	7,797,862	-	-	7,797,862	11,315	-	-	121,173	132,488
Other receivable (Note 2)	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

March 31, 2020	Principal				Allowance				
	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	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans									
Corporate banking	\$ 553,789,352	\$ 1,435,303	\$ 2,460,435	\$ 557,685,090	\$ 1,962,566	\$ 330,380	\$ 779,426	\$ 3,900,297	\$ 6,972,669
Consumer banking	519,466,006	4,621,590	1,550,514	525,638,110	75,593	225,457	270,420	6,502,381	7,073,851
Receivables									
Credit card receivable	15,613,196	216,719	862,871	16,692,786	4,176	7,613	51,574	148,461	211,824
Accounts receivable - factoring (Note 1)	8,008,111	-	-	8,008,111	9,292	-	-	116,221	125,513
Other receivable (Note 2)	16,295,334	13,618	282,587	16,591,539	26,175	1,249	249,930	82,858	360,212
Debt instruments at fair value through other comprehensive income	248,098,239	-	-	248,098,239	48,801	-	-	-	48,801
Investment in debt instruments at amortized cost	143,140,266	-	-	143,140,266	8,219	-	-	-	8,219

Note 1: Accounts receivable - factoring and accounts payable - factoring are offset and presented net.

Note 2: 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 Three Months Ended March 31, 2021	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	Total
Balance, January 1	\$ 2,192,750	\$ 1,033,202	\$ 999,303	\$ 4,225,255	\$ 10,776,189	\$ 15,001,444
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(4,825)	329,020	(6,993)	317,202	-	317,202
From conversion to credit-impaired financial assets	(3,401)	(191,717)	491,297	296,179	-	296,179
To 12-month ECL	1,251	(58,629)	(2,484)	(59,862)	-	(59,862)
Derecognizing financial assets during the current period	(775,734)	(44,296)	(95,278)	(915,308)	-	(915,308)
Purchased or originated new financial assets	825,685	21,006	67,858	914,549	-	914,549
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans (Note)	-	-	-	-	(257,687)	(257,687)
Write-off	-	-	(123,936)	(123,936)	(75,558)	(199,494)
Changes in model/risk parameters	(21,129)	(23,529)	(37,518)	(82,176)	-	(82,176)
Effect of exchange rate changes and others	(3,780)	282	410,331	406,833	(3,007)	403,826
Balance, March 31	\$ 2,210,817	\$ 1,065,339	\$ 1,702,580	\$ 4,978,736	\$ 10,439,937	\$ 15,418,673

For the Three Months Ended March 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	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	(784)	113,151	(17,427)	94,940	-	94,940
From conversion to credit-impaired financial assets	(554)	(265,344)	357,639	91,741	-	91,741
To 12-month ECL	775	(80,060)	-	(79,285)	-	(79,285)
Derecognizing financial assets during the current period	(121,502)	(279,522)	(115,026)	(516,050)	-	(516,050)
Purchased or originated new financial assets	1,005,117	325,209	14,556	1,344,882	-	1,344,882
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans (Note)	-	-	-	-	(395,826)	(395,826)
Write-off	-	-	(245,186)	(245,186)	(164,763)	(409,949)
Changes in model/risk parameters	(62,675)	22,473	3,936	(36,266)	-	(36,266)
Effect of exchange rate changes and others	(1,427)	1,028	174,533	174,134	5,444	179,578
Balance, March 31	\$ 2,038,159	\$ 555,837	\$ 1,049,846	\$ 3,643,842	\$ 10,402,678	\$ 14,046,520

Changes in allowance for receivable

For the Three Months Ended March 31, 2021	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	\$ 54,009	\$ 13,591	\$ 269,688	\$ 337,288	\$ 398,229	\$ 735,517
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(75)	7,220	(1,839)	5,306	-	5,306
From conversion to credit-impaired financial assets	(7)	(7,062)	20,068	12,999	-	12,999
To 12-month ECL	17	(815)	(8)	(806)	-	(806)
Derecognizing financial assets during the current period	(25,815)	(3)	(512)	(26,330)	-	(26,330)
Purchased or originated new financial assets	10,057	9	272	10,338	-	10,338
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	25,992	25,992
Write-off	(1)	(146)	(15,645)	(15,792)	(19,305)	(35,097)
Changes in model/risk parameters	2,504	(502)	(2,496)	(494)	-	(494)
Effect of exchange rate changes and others	(1,549)	489	3,368	2,308	62	2,370
Balance, March 31	\$ 39,140	\$ 12,781	\$ 272,896	\$ 324,817	\$ 404,978	\$ 729,795

For the Three Months Ended March 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	(31)	10,377	(1,840)	8,506	-	8,506
From conversion to credit-impaired financial assets	(2)	(6,036)	23,743	17,705	-	17,705
To 12-month ECL	9	(1,633)	(20)	(1,644)	-	(1,644)
Derecognizing financial assets during the current period	(9,989)	(2,328)	(5,381)	(17,698)	-	(17,698)
Purchased or originated new financial assets	16,607	907	102	17,616	-	17,616
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	(4,210)	(4,210)
Write-off	(2)	(25)	(70,466)	(70,493)	(23,408)	(93,901)
Changes in model/risk parameters	5,522	(316)	(2,698)	2,508	-	2,508
Effect of exchange rate changes and others	(224)	10	17,901	17,687	570	18,257
Balance, March 31	\$ 39,643	\$ 8,862	\$ 301,504	\$ 350,009	\$ 347,540	\$ 697,549

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 Three Months Ended March 31, 2021	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 61,452	\$ -	\$ -	\$ 61,452
Purchased new debt instrument	7,633	-	-	7,633
Derecognized	(4,328)	-	-	(4,328)
Model/risk parameters changes	-	-	-	-
Effect of exchange rate changes and others	(97)	-	-	(97)
Balance March 31	<u>\$ 64,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,660</u>

For the Three Months Ended March 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	12,087	-	-	12,087
Derecognized	(2,783)	-	-	(2,783)
Model/risk parameters changes	-	-	-	-
Effect of exchange rate changes and others	1,618	-	-	1,618
Balance March 31	<u>\$ 48,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,801</u>

Change in allowance for debt instrument at amortized cost

For the Three Months Ended March 31, 2021	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 11,891	\$ -	\$ -	\$ 11,891
Purchased new debt instrument	-	-	-	-
Derecognized	-	-	-	-
Model/risk parameters changes	-	-	-	-
Effect of exchange rate changes and others	(31)	-	-	(31)
Balance March 31	<u>\$ 11,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,860</u>

For the Three Months Ended March 31, 2020	Credit Rating			Total
	12-months ECL	Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 8,034	\$ -	\$ -	\$ 8,034
Purchased new debt instrument	254	-	-	254
Derecognized	-	-	-	-
Model/risk parameters changes	-	-	-	-
Effect of exchange rate changes and others	(69)	-	-	(69)
Balance March 31	<u>\$ 8,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,219</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 March 31, 2021, December 31, 2020 and March 31, 2020, the amount of discounts and loans were \$6,727,996, \$4,924,923 and \$4,010,949, with a provision for loss allowance of \$1,702,580, \$999,303 and \$1,049,846 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to \$3,274,726, \$2,082,399 and \$2,326,869.

- 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 \$46,549,662, \$46,629,546 and \$47,213,755 on March 31, 2021, December 31, 2020 and March 31, 2020.

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 March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

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

a) Overdue loans and receivables

Date			March 31, 2021				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 469,115	\$ 236,360,767	0.20%	\$ 2,990,031	637.38%
	Unsecured		760,648	384,789,762	0.20%	4,522,115	594.51%
Consumer loan	Mortgage (Note 4)		217,023	302,358,025	0.07%	4,639,620	2,137.85%
	Cash card		37	3,688	1.00%	380	1,027.03%
	Micro credit (Note 5)		69,994	24,546,847	0.29%	395,793	565.47%
	Others (Note 6)	Secured	449,988	220,413,602	0.20%	2,399,490	533.23%
		Unsecured	1,040	2,373,266	0.04%	26,105	2,510.10%
Total			1,967,845	1,170,845,957	0.17%	14,973,534	760.91%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			\$ 22,934	\$ 17,990,311	0.13%	\$ 201,178	877.20%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	11,454,530	-	130,971	-

Date			March 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		\$ 446,754	\$ 204,996,164	0.22%	\$ 2,609,607	584.13%
	Unsecured		506,418	331,040,701	0.15%	4,098,170	809.25%
Consumer loan	Mortgage (Note 4)		465,555	296,211,669	0.16%	4,566,962	980.97%
	Cash card		-	5,213	-	133	-
	Micro credit (Note 5)		68,318	20,828,827	0.33%	245,023	358.65%
	Others (Note 6)	Secured	530,346	206,167,696	0.26%	2,233,799	421.20%
		Unsecured	3,576	2,424,705	0.15%	27,934	781.15%
Total			2,020,967	1,061,674,975	0.19%	13,781,628	681.93%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			44,355	16,692,786	0.27%	211,824	477.57%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	10,402,500	-	125,513	-

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 = $\text{NPL} \div \text{Total loans}$.

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

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

For credit card business: Coverage ratio = Allowance for credit losses \div 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	March 31, 2021		March 31, 2020	
Items	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreement (Note 1)	\$ 727	\$ 31,733	\$ 1,018	\$ 44,857
As a result of consumer debt clearance (Note 2)	18,665	636,147	13,080	663,368
Total	\$ 19,392	\$ 667,880	\$ 14,098	\$ 708,225

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	March 31, 2021		
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)	\$ 11,442,732	8.11
2	B Group (manufacture of computers)	11,029,751	7.81
3	C Group (manufacture of computers)	5,542,030	3.93
4	D Group (real estate development activities)	5,445,128	3.86
5	E Group (other metalworking activities)	5,000,000	3.54
6	F Company (rolling of extruding of iron and steel)	4,990,265	3.54
7	G Group (manufacture of other computer peripheral equipment)	4,565,224	3.23
8	H Group (metal casting)	4,043,825	2.86
9	I Group (real estate development activities)	3,739,000	2.65
10	J Group (real estate development activities)	3,528,000	2.50

Year	March 31, 2020		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (other holding companies)	\$ 9,721,539	7.26
2	B Group (manufacture of computers)	8,332,337	6.22
3	C Group (manufacture of computers)	6,940,904	5.18
4	D Group (water transportation)	6,132,875	4.58
5	E Group (rolling of extruding of iron and steel)	5,344,329	3.99
6	F Company (other metalworking activities)	5,000,000	3.73
7	G Group (manufacture of computers)	4,855,598	3.63
8	H Group (real estate development activities)	4,546,111	3.39
9	I Group (metal casting)	4,322,438	3.23
10	J Group (real estate development activities)	3,478,000	2.60

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

March 31, 2021	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	\$ 16,235,410	\$ 25,344,499	\$ 36,499,086	\$ 5,044,531	\$ -	\$ 83,123,526
Due to the central bank and banks	9	20	28,523	89,875	-	118,427
Financial liabilities at fair value through profit or loss	-	-	-	-	1,600,059	1,600,059
Securities sold under repurchase agreements	7,512,560	2,937,705	1,137,069	2,029,341	-	13,616,675
Payables	4,705,412	662,469	246,112	1,428,932	2,032,852	9,075,777
Deposits and remittances	1,011,479,723	158,558,222	212,644,100	260,679,397	31,447,980	1,674,809,422
Bank debentures	57,182	70,556	5,692,379	365,099	41,932,910	48,118,126
Other financial liabilities	-	-	741,946	-	-	741,946

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

March 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	\$ 28,406,572	\$ 20,925,688	\$ 7,213,644	\$ 1,649,513	\$ -	\$ 58,195,417
Financial liabilities at fair value through profit or loss	-	-	-	-	1,698,047	1,698,047
Securities sold under repurchase agreements	6,290,191	419,509	6,233	-	-	6,715,933
Payables	8,049,200	373,483	108,595	1,270,354	2,777,456	12,579,088
Deposits and remittances	820,487,173	183,908,474	195,454,019	219,934,752	27,955,607	1,447,740,025
Bank debentures	60,177	73,624	1,381,314	3,758,693	33,645,949	38,919,757

Bank SinoPac (China)

(In Thousands of CNY)

March 31, 2021	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	\$ 275,425	\$ 849,518	\$ 905,899	\$ 206,803	\$ 134,506	\$ 2,372,151
Payables	332,105	303,884	164,190	82,002	-	882,181
Deposits and remittances	2,966,929	778,291	1,538,318	767,154	103,340	6,154,032

(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)

March 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	\$ 98,930	\$ 143,383	\$ 448,137	\$ 221,437	\$ -	\$ 911,887
Payables	258,676	27,352	97,965	155,841	-	539,834
Deposits and remittances	1,834,627	1,210,025	844,560	677,589	33,356	4,600,157

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

March 31, 2021	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	\$ 3,377,189	\$ -	\$ -	\$ -	\$ -	\$ 3,377,189

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

March 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	\$ 12,608,865	\$ -	\$ -	\$ -	\$ -	\$ 12,608,865

Bank SinoPac (China)

(In Thousands of CNY)

March 31, 2021	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	\$ 6,506	\$ -	\$ -	\$ -	\$ -	\$ 6,506

(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)

March 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	\$ 5,048	\$ -	\$ -	\$ -	\$ -	\$ 5,048

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

March 31, 2021	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	\$ 298,450,530	\$ 289,551,904	\$ 213,281,949	\$ 213,076,721	\$ 7,019,286	\$ 1,021,380,390
Cash outflow	298,664,849	289,401,845	213,613,247	213,078,533	7,039,739	1,021,798,213

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

March 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	\$ 481,805,902	\$ 447,405,655	\$ 271,295,096	\$ 173,944,685	\$ 3,895,476	\$ 1,378,346,814
Cash outflow	482,445,879	447,276,615	270,828,362	174,139,913	3,887,021	1,378,577,790

Bank SinoPac (China)

(In Thousands of CNY)

March 31, 2021	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	\$ 5,127,893	\$ 4,350,253	\$ 5,282,961	\$ 995,408	\$ -	\$ 15,756,515
Cash outflow	5,188,822	4,400,435	5,317,946	997,761	-	15,904,964

(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)

March 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	\$ 3,718,320	\$ 6,058,994	\$ 9,288,380	\$ 766,563	\$ -	\$ 19,832,257
Cash outflow	3,724,963	6,043,947	9,284,194	766,762	-	19,819,866

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

March 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 83,611	\$ 2,199,619	\$ 2,790,501	\$ 5,077,835	\$ 27,284,911	\$ 37,436,477
Guarantees	7,052,444	9,925,092	3,149,113	5,560,795	9,228,255	34,915,699
Standby letter of credit	1,998,189	2,899,522	1,620,429	150,696	-	6,668,836

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

March 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 402,093	\$ 1,438,757	\$ 1,310,459	\$ 1,691,869	\$ 23,244,832	\$ 28,088,010
Guarantees	5,470,315	3,438,320	2,305,697	4,335,894	6,461,083	22,011,309
Standby letter of credit	1,225,156	1,515,066	403,025	195,803	-	3,339,050

Bank SinoPac (China)

(In Thousands of CNY)

March 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loans commitments	\$ -	\$ -	\$ 70,938	\$ 3,850	\$ 141,808	\$ 216,596
Guarantee	65,199	76,537	295,666	385,595	190,460	1,013,457
Standby letter of credit	47,222	49,838	58,310	-	-	155,370

(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)

March 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loans commitments	\$ 1,616	\$ -	\$ -	\$ 100,000	\$ 82,516	\$ 184,132
Guarantee	25,939	236,644	238,549	266,206	126,904	894,242
Standby letter of credit	44,745	54,609	845	3,640	-	103,839

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:

March 31, 2021	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement commitments				
Lease liabilities (lessee)	\$ 643,242	\$ 1,318,338	\$ 851,521	\$ 2,813,101
Operating lease income (lessor)	79,753	174,954	8,550	263,257

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

March 31, 2020	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement commitments				
Lease liabilities (lessee)	\$ 628,928	\$ 1,124,290	\$ 675,003	\$ 2,428,221
Operating lease income (lessor)	80,912	204,664	10,422	295,998

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)

	March 31, 2021						
	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	\$ 1,774,363,417	\$ 216,831,302	\$ 259,310,381	\$ 215,412,393	\$ 128,950,581	\$ 161,828,750	\$ 792,030,010
Main capital outflow on maturity	2,101,020,507	70,687,657	113,279,087	259,952,293	312,652,666	458,665,589	885,783,215
Gap	(326,657,090)	146,143,645	146,031,294	(44,539,900)	(183,702,085)	(296,836,839)	(93,753,205)

	March 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	\$ 1,640,087,099	\$ 218,890,486	\$ 185,900,370	\$ 273,135,732	\$ 141,147,568	\$ 124,155,772	\$ 696,857,171
Main capital outflow on maturity	1,977,786,233	122,702,974	145,835,189	302,398,539	298,320,097	356,210,104	752,319,330
Gap	(337,699,134)	96,187,512	40,065,181	(29,262,807)	(157,172,529)	(232,054,332)	(55,462,159)

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)

	March 31, 2021					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 35,299,719	\$ 9,736,338	\$ 7,019,415	\$ 5,007,873	\$ 5,254,571	\$ 8,281,522
Main capital outflow on maturity	36,438,146	10,350,086	8,229,268	7,028,131	5,562,190	5,268,471
Gap	(1,138,427)	(613,748)	(1,209,853)	(2,020,258)	(307,619)	3,013,051

(In Thousands of U.S. Dollars)

	March 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	\$ 37,608,947	\$ 13,129,556	\$ 9,708,860	\$ 5,927,939	\$ 3,123,591	\$ 5,719,001
Main capital outflow on maturity	38,585,967	12,509,531	10,818,729	7,086,887	4,997,815	3,173,005
Gap	(977,020)	620,025	(1,109,869)	(1,158,948)	(1,874,224)	2,545,996

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, 12).
- 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, 12).
- 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, 12).
- 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, 12).
- 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) Impact of interest rate benchmark reform

The financial instrument of the Bank affected by interest rate benchmark reform include credit, bonds and derivatives financial assets. The type of interest rate benchmark linked to it is mainly the London InterBank Offered Rate (LIBOR). LIBOR is a forward-looking interest rate benchmark that implies market expectations for future interest rate trend, and includes inter-bank credit discounts. The alternative reference rate of LIBOR (such as US Secured Overnight Finance Rate, SOFR) is a retrospective interest rate benchmark with actual transaction data and does not include credit discounts. Therefore, additional adjustments must be made when existed contracts are modified from linking LIBOR to alternative interest rate indicator to ensure that the interest rate is economically equivalent between before and after modification.

The Bank has formulated a LIBOR conversion plan to deal with product business strategy adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to meet the reform of interest rate benchmark. As of March 31, 2021, the Bank has identified all information systems and internal processes that need to be updated, and are still confirming the scope of the impact. At present, the projects are implemented on time according to the schedule.

Interest rate benchmark reform mainly expose the basic interest rate risk to the Bank. If the Bank unable to complete the contracts modification with the counterparty before the decommission of LIBOR, the financial instrument will cause significant uncertainty to the interest rate basis and then that will trigger unexpected interest rate risk exposure. In addition, if the financial instrument for hedging purpose and the related financial instrument to be hedged are not converted to alternative interest rate benchmark at the same time, it may lead to the ineffective hedge.

As of March 31, 2021, the financial instruments of the Group that have been affected by interest rate benchmark reform and have not yet been converted to alternative interest rate benchmark are summarized as follows:

Non-derivatives	Book Value	
	Financial Assets	Financial Liabilities
USD LIBOR	\$ 200,467,603	\$ -
EUR LIBOR	3,404,620	-
GBP LIBOR	750,244	-
JPY LIBOR	143,826	-
CHF LIBOR	-	-
	\$ 204,766,293	\$ -

Derivatives	National Amount
USD LIBOR	\$ 59,149,726
EUR LIBOR	-
GBP LIBOR	-
JPY LIBOR	-
CHF LIBOR	-
	\$ 59,149,726

12) 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 Three Months Ended March 31, 2021		
	Average	Maximum	Minimum
Exchange rate risk	20,659	39,447	14,597
Interest rate risk	39,031	58,153	28,051
Equity risk	4,169	11,218	379
Total VaR	47,103	68,237	36,022

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2021.01.02-2021.03.31.

	For the Three Months Ended March 31, 2020		
	Average	Maximum	Minimum
Exchange rate risk	9,767	22,609	5,023
Interest rate risk	89,195	200,058	35,071
Equity risk	-	-	-
Total VaR	91,012	203,536	35,931

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2020.01.02-2020.03.31.

Bank SinoPac (China)'s trading book VaR overview.

(In Thousands of CNY)

	For the Three Months Ended March 31, 2020		
	Average	Maximum	Minimum
Exchange rate risk	2,805	4,469	2,118
Interest rate risk	336	591	97
Equity risk	-	-	-
Total VaR	471	2,095	225

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2021.01.01-2021.03.31.

(In Thousands of CNY)

	For the Three Months Ended March 31, 2020		
	Average	Maximum	Minimum
Exchange rate risk	1,608	3,566	856
Interest rate risk	313	975	113
Equity risk	-	-	-
Total VaR	522	2,198	179

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2020.01.01-2020.03.31.

13) Exchange rate risks

Exchange rate risks of holding net positions in foreign currencies are shown as below:

March 31, 2021			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 14,580,112	28.53265	\$ 416,009,233
CNY	19,748,718	4.34836	85,874,535
Nonmonetary items			
USD	392,135	28.53265	11,188,651
<u>Financial liabilities</u>			
Monetary items			
USD	18,219,065	28.53265	519,838,205
CNY	18,861,703	4.34836	82,017,475
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

March 31, 2020			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,457,896	30.27999	\$ 377,224,968
CNY	17,626,247	4.26341	75,147,916
Nonmonetary items			
USD	402,568	30.27999	12,189,757
<u>Financial liabilities</u>			
Monetary items			
USD	16,140,877	30.27999	488,745,606
CNY	16,593,086	4.26341	70,743,129

14) Compliance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Interest rate sensitivity information (New Taiwan dollars)

March 31, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,145,067,150	\$ 21,109,033	\$ 74,684,920	\$ 117,419,316	\$ 1,358,280,419
Interest rate-sensitive liabilities	281,892,169	746,833,957	136,446,501	57,288,644	1,222,461,271
Interest rate-sensitive gap	863,174,981	(725,724,924)	(61,761,581)	60,130,672	135,819,148
Net worth					139,745,862
Ratio of interest rate-sensitive assets to liabilities (%)					111.11%
Ratio of interest rate-sensitive gap to net worth (%)					97.19%

March 31, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 997,077,280	\$ 26,313,936	\$ 68,065,075	\$ 123,464,187	\$ 1,214,920,478
Interest rate-sensitive liabilities	313,894,354	575,165,335	86,953,131	61,142,723	1,037,155,543
Interest rate-sensitive gap	683,182,926	(548,851,399)	(18,888,056)	62,321,464	177,764,935
Net worth					134,614,354
Ratio of interest rate-sensitive assets to liabilities (%)					117.14%
Ratio of interest rate-sensitive gap to net worth (%)					132.05%

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)

March 31, 2021

(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	\$ 9,286,981	\$ 475,036	\$ 161,558	\$ 3,069,778	\$ 12,993,353
Interest rate-sensitive liabilities	5,374,994	9,134,128	1,411,200	77,846	15,998,168
Interest rate-sensitive gap	3,911,987	(8,659,092)	(1,249,642)	2,991,932	(3,004,815)
Net worth					32,393
Ratio of interest rate-sensitive assets to liabilities (%)					81.22%
Ratio of interest rate-sensitive gap to net worth (%)					(9,276.12%)

March 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	\$ 8,319,425	\$ 510,766	\$ 208,310	\$ 1,465,065	\$ 10,503,566
Interest rate-sensitive liabilities	6,290,393	5,995,250	1,461,931	113,055	13,860,629
Interest rate-sensitive gap	2,029,032	(5,484,484)	(1,253,621)	1,352,010	(3,357,063)
Net worth					(27,428)
Ratio of interest rate-sensitive assets to liabilities (%)					75.78%
Ratio of interest rate-sensitive gap to net worth (%)					12,239.55%

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).

15) 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	March 31, 2021				
	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	\$ 5,559,367	\$ 5,407,833	\$ 5,559,367	\$ 5,407,833	\$ 151,534
Securities purchased under resell agreements Transactions under repurchase agreements	7,504,617	8,076,073	7,504,617	8,076,073	(571,456)

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	March 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	\$ 463,506	\$ 463,956	\$ 463,506	\$ 463,956	\$ (450)
Investments in debt instruments at amortized cost Transactions under repurchase agreements	3,699,430	3,625,000	3,820,783	3,625,000	195,783
Securities purchased under resell agreements Transactions under repurchase agreements	2,365,402	2,521,489	2,365,402	2,521,489	(156,087)

16) 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:

March 31, 2021

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	\$ 15,068,999	\$ -	\$ 15,068,999	\$ 9,315,712	\$ 2,068,819	\$ 3,684,468
Securities purchased under resell agreements	63,778,418	-	63,778,418	63,764,598	-	13,820
	<u>\$ 78,847,417</u>	<u>\$ -</u>	<u>\$ 78,847,417</u>	<u>\$ 73,080,310</u>	<u>\$ 2,068,819</u>	<u>\$ 3,698,288</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	\$ 15,226,174	\$ -	\$ 15,226,174	\$ 9,315,712	\$ 947,452	\$ 4,963,010
Securities sold under repurchase agreements	<u>13,605,676</u>	<u>-</u>	<u>13,605,676</u>	<u>13,581,129</u>	<u>-</u>	<u>24,547</u>
	<u>\$ 28,831,850</u>	<u>\$ -</u>	<u>\$ 28,831,850</u>	<u>\$ 22,896,841</u>	<u>\$ 947,452</u>	<u>\$ 4,987,557</u>

Note: Including netting settlement agreements and non-cash financial collaterals.

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.

March 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	\$ 17,705,105	\$ -	\$ 17,705,105	\$ 12,456,173	\$ 1,152,751	\$ 4,096,181
Securities purchased under resell agreements	<u>23,662,935</u>	<u>-</u>	<u>23,662,935</u>	<u>23,617,838</u>	<u>-</u>	<u>45,097</u>
	<u>\$ 41,368,040</u>	<u>\$ -</u>	<u>\$ 41,368,040</u>	<u>\$ 36,074,011</u>	<u>\$ 1,152,751</u>	<u>\$ 4,141,278</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	\$ 19,256,552	\$ -	\$ 19,256,552	\$ 12,456,173	\$ 3,716,164	\$ 3,084,215
Securities sold under repurchase agreements	<u>6,707,512</u>	<u>-</u>	<u>6,707,512</u>	<u>6,706,792</u>	<u>-</u>	<u>720</u>
	<u>\$ 25,964,064</u>	<u>\$ -</u>	<u>\$ 25,964,064</u>	<u>\$ 19,162,965</u>	<u>\$ 3,716,164</u>	<u>\$ 3,084,935</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.

46. CROSS-SELLING INFORMATION

For the three months ended March 31, 2021 and 2020, the Bank charged SinoPac Securities for \$2,604 and \$1,099, respectively, as marketing and opening accounts. The rental fee the Bank charged SinoPac Securities for the three months ended March 31, 2020 was \$751.

The Bank paid to SinoPac Securities \$1,086 and \$1,104 for the three months ended March 31, 2021 and 200 for bonus as part of the cross-selling agreement.

The Bank charged SinoPac Leasing for \$87 and \$124 for the three months ended March 31, 2021 and 2020 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Leasing for \$7 for the three months ended March 31, 2021 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Venture Capital \$3 for the years ended December 31, 2021 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		March 31, 2021	March 31, 2020
Return on total assets	Before income tax	0.19%	0.18%
	After income tax	0.16%	0.15%
Return on net worth	Before income tax	2.66%	2.32%
	After income tax	2.27%	1.96%
Profit margin		39.27%	35.07%

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 three months ended March 31, 2021 and 2020.

48. 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 marketable securities at costs or prices of at least NT\$300 million or 10% of the issued capital	None (Note)
5	Derivative transactions	None (Note)

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: Not required for disclosure in quarterly report.
- d. Information on incorporate branches and 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.

49. 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 three months ended March 31, 2021 and 2020 are without change except SinoPac Capital Limited entering into the process in 2019 transferring to non-operating segment (and closure of liquidation in November 2020). 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 Three Months Ended March 31, 2021						
		Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest revenue	\$ 3,410,015	\$ (1,890)	\$ 763,764	\$ 581,218	\$ 4,753,107	\$ 89,105	\$ 4,842,212
	Interest income	3,939,895	509	983,551	816,939	5,740,894	1,270,020	7,010,914
	Revenue amount segments	1,018,426	21,660	(75,949)	(64,995)	899,142	(899,142)	-
	Interest expenses	(1,548,306)	(24,059)	(143,838)	(170,726)	(1,886,929)	(281,773)	(2,168,702)
	Service fee income, net	2,373,895	(2,676)	119,867	163,559	2,654,645	(127,142)	2,527,503
	Others	62,145	288,545	165,124	(41,685)	474,129	275,060	749,189
	Net revenue	5,846,055	283,979	1,048,755	703,092	7,881,881	237,023	8,118,904
	Bad debts expense, commitment and guarantee liability provision	(13,874)	-	(394,791)	(58,096)	(466,761)	(23,113)	(489,874)
	Operating expenses	(2,890,776)	(79,334)	(340,670)	(530,255)	(3,841,035)	(46,472)	(3,887,507)
	Profit from continuing operations before tax	2,941,405	204,645	313,294	114,741	3,574,085	167,438	3,741,523
	Income tax expense	(435,420)	(30,294)	(46,377)	(15,387)	(527,478)	(25,978)	(553,456)
	Net income	2,505,985	174,351	266,917	99,354	3,046,607	141,460	3,188,067

		For the Three Months Ended March 31, 2020						
		Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest revenue	\$ 3,089,211	\$ (9,799)	\$ 594,346	\$ 444,619	\$ 4,118,377	\$ (91,309)	\$ 4,027,068
	Interest income	4,523,761	36,508	1,274,019	717,694	6,551,982	1,381,361	7,933,343
	Revenue amount segments	1,506,294	85,083	(314,014)	(79,353)	1,198,010	(1,198,010)	-
	Interest expenses	(2,940,844)	(131,390)	(365,659)	(193,722)	(3,631,615)	(274,660)	(3,906,275)
	Service fee income, net	2,083,699	(4,905)	93,710	189,163	2,361,667	33,278	2,394,945
	Others	95,315	508,011	86,296	44,559	734,181	304,839	1,039,020
	Net revenue	5,268,225	493,307	774,352	678,341	7,214,225	246,808	7,461,033
	Bad debts expense, commitment and guarantee liability provision	(469,856)	-	(185,336)	(4,196)	(659,388)	(26,589)	(685,977)
	Operating expenses	(2,730,513)	(91,146)	(312,666)	(510,627)	(3,644,952)	(23,672)	(3,668,624)
	Profit from continuing operations before tax	2,067,856	402,161	276,350	163,518	2,909,885	196,547	3,106,432
	Income tax expense	(325,110)	(63,228)	(43,448)	(28,801)	(460,587)	(29,080)	(489,667)
	Net income	1,742,746	338,933	232,902	134,717	2,449,298	167,467	2,616,765

TABLE 1

BANK SINOPAC

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
MARCH 31, 2021
(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	\$ 1,055,191 (Note)	-	\$ -	-	\$ -	\$ -

Note: Most of receivables resulted from the use of the linked-tax system (recognized in current income tax assets) and related parties.

BANK SINOPAC AND SUBSIDIARIES

RELATED PARTIES TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statements Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (%) (Note 3)
0	Bank SinoPac	Bank SinoPac (China) Ltd.	a	Due from the Central Bank and call loans to bank, net	\$ 3,772,064	Note 4	0.18
		Bank SinoPac (China) Ltd.	a	Receivables, net	131,133	Note 4	0.01
		Bank SinoPac (China) Ltd.	a	Interest income	16,903	Note 4	0.21
		SinoPac Insurance Brokers Ltd.	a	Deposits and remittances	74,081	Note 4	-
1	Bank SinoPac (China) Ltd.	Bank SinoPac	b	Deposits from the Central Bank and banks	3,772,064	Note 4	0.18
		Bank SinoPac	b	Payables	131,133	Note 4	0.01
		Bank SinoPac	b	Interest expenses	16,903	Note 4	0.21
2	SinoPac Insurance Brokers Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	4,344	Note 4	-
		Bank SinoPac	b	Other financial assets, net	69,737	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 INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2021	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	\$ 9,240,895	Investment in Mainland China directly	\$ 9,240,895	\$ -	\$ -	\$ 9,240,895	\$ 13,834	100	\$ 9,309	\$ 9,504,918	\$ -

Accumulated Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$9,240,895	\$9,240,895	\$84,692,793

Note 1: The accumulated investment amounts in Mainland China as of March 31, 2021 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 three months ended March 31, 2021 have been reviewed 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.