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BOT Spokesperson

Name: Kang, Fan

Title: Senior Executive Vice President

Tel: 886-2-2349-3061

E-mail: 184033@mail.bot.com.tw

Acting Spokesperson

Name: Pan, Rong-Yaw

Title: Senior Executive Vice President

Tel: 886-2-2349-3020

E-mail: 100384@mail.bot.com.tw

Head Office

Address: No.120, Sec. 1, Chongqing S. Rd.,

Zhongzheng Dist., Taipei City 10007,

Taiwan (R.O.C.)

Tel: 886-2-2349-3456 SWIFT: BKTWTWTP

Website: https://www.bot.com.tw

Internet bank: https://ebank.bot.com.tw

Credit Rating Agencies

(1) Standard & Poor's

Address: 55 Water Street, New York, N.Y. 10041, U.S.A.

Tel: 212-438-2000

(2) Moody's Investors Service

Address: 7 World Trade Center, 250 Greenwich Street,

New York, N.Y. 10007, U.S.A.

Tel: 212-553-0300

(3) Taiwan Ratings Corporation

Address: 49F, Taipei 101 Tower, No.7, Sec. 5, Xinyi Road,

Xinyi Dist., Taipei City 11049, Taiwan (R.O.C.)

Tel: 886-2-8722-5800

Stock Transfer Agency

Bank of Taiwan

Address: No.120, Sec. 1, Chongqing S. Rd.,

Zhongzheng Dist., Taipei City 10007,

Taiwan (R.O.C.)

Tel: 886-2-2349-3456

Website: https://www.bot.com.tw

Auditors

KPMG Certified Public Accountants

Auditors: Lee, Feng-Hui

Wu, Lin

Address: 68F, Taipei 101 Tower, No.7, Sec. 5, Xinyi Road,

Xinyi Dist., Taipei City 11049, Taiwan (R.O.C.)

Tel: 886-2-8101-6666

Website: https://home.kpmg/tw

Notice to Readers

This English version of the annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.



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Letter to Shareholders

A Brief Introduction of the Bank



Chairman | Joseph Jye-Cherng Lyu

Letter to Shareholders

Due to the COVID-19 pandemic, the global economy in 2020 plunged into its worst contraction since the Great Depression of 1929. The International Monetary Fund (IMF) estimated that global economic growth declined to -3.5% in 2020. The world's major economies — including the US, the Eurozone, and Japan — all experienced contractions. Taiwan, in contrast, was able to post an economic growth rate of 3.11% in 2020 thanks to a number of factors. One of these factors was Taiwan's remarkable fight against the pandemic, achieved through the joint efforts of the government, private enterprises, and individual citizens. Economic activity proceeded as usual especially in the second half of 2020. In addition, the country benefitted from a shifting of orders to Taiwan, the return of offshore Taiwanese firms, ongoing implementation of the Forward-looking Infrastructure Development Program, and the government's various relief and economic stimulus measures. Such excellent performance clearly demonstrated the resilience and power of Taiwan's economy.

Over the past year, central banks across the world responded to the pandemic by driving down interest rates, which narrowed interest spreads and cut down bank profitability in general. However, the BOT continued to perform well, thanks to a unified effort by top management as well as the rank-and-file. Pre-tax earnings for 2020 amounted to NT\$12.3 billion, an outstanding performance that far exceeded the annual target, while the NPL ratio was 0.15% and the NPL coverage ratio stood at 997.26% nicely. These figures reconfirm the management's resolve to maintain sound asset quality and resilient risk-bearing capacity.

The global pandemic affected the BOT, but it also brought new opportunities and ushered in changes. For starters, with respect to disease control measures, in the early days of the pandemic the BOT promptly set up a pandemic response task force and adopted effective measures and contingency preparations. Head office units adopted offsite work arrangements, and the Bank held meetings online where possible. Overseas units, depending on local situation, adopted staggered work schedules, divided employees to work from home, and created social distancing arrangements to reduce the risk of cluster transmission. By properly implementing a full slate of disease control measures, the BOT kept its business running normally and displayed robust management capability.



President | Chih-Wen Hsu

As the country's leading bank, the BOT implements government policy as part of the Bank's mission where needed, and toward that end it supports the government's policy of providing relief and stimulus financings. To deal with the economic impact of the pandemic, all employees at the BOT have collaborated proactively to help companies and individuals weathering the crisis. The Bank set a supportive tone in February 2020 by launching its various programs for small & medium enterprises (SMEs). It has also coordinated with government policy by offering various accommodations and actively extending relief loans. Through these concrete actions, the BOT has helped individuals and companies affected by the pandemic to get through difficult times. Worth mentioning, when the Executive Yuan decided to issue "Triple Stimulus Vouchers" in July 2020, the BOT was mandated to manage the program. All staff members energetically threw themselves at the task and helped achieve the Bank's mission successfully. The program amply demonstrated what can be accomplished through this economic stimulus measure, and the BOT received numerous awards for excellence in the Financial Supervisory Commission (FSC) 's "Program for Encouraging Domestic Banks to Expedite Processing of Relief and Stimulus Loans" in recognition of its outstanding performance.

In the area of sustainable finance, in light of today's growing concern with climate change and environmental sustainability, the BOT established a Committee for Corporate Sustainability, which has five cross-organizational administrative task forces for environmental sustainability, social engagement, corporate governance, care for employees, and customer interests. The idea was to leverage the role of the BOT in the financial markets to raise the awareness of customers regarding sustainability issues, thereby spurring sustainable development of the overall economy.

In the area of employee training, the BOT was temporarily unable to make use of its Training Institute on Yangmingshan because the facility had been lent to the government for policy reasons. Nevertheless, the Bank continued to carry out training activities, sometimes online, and at other times in regional training sessions at its Department of Public Treasury, Department of Information Management, Wuchang Branch, Lungshan Branch, Taichung Branch, and Lingya Branch. These activities enabled employees to continually improve their industry knowledge and competitiveness despite the ongoing COVID-19 pandemic.

In the area of digital financial services, the BOT continues to encourage innovative research and development. As of year-end 2020, the BOT had obtained 32 invention patents, 229 utility model patents, and 4 design patents. These are certainly outstanding accomplishments. In order to increase interaction among the head office and group subsidiaries in the development of employees' digital capabilities across the broad, the BOT plans to launch a "Training Program to Develop Seed Personnel for a Digital Transformation" to accelerate the digital thinking and achieve its vision and goal of digital transformation.



Regarding the Group's overseas network, in coordination with the government's New Southbound Policy, the BOT continued to build up its regional presence. The establishment of a BOT representative office in Kuala Lumpur in February 2020 has very nearly rounded out the Bank's network in the ASEAN region. In the future, the BOT's "Working Group on Financing to Support the New Southbound Policy" will seek to deepen its customer base in the ASEAN region and help Taiwanese companies to make inroads into the ASEAN market. At the same time, it will further strengthen cooperation with leading regional financial institutions and multinational banks to benefit from complementarity and create win-win situations.

The Bank's allocation of credit assets, meanwhile, met the target for balanced lending to the public sector, companies, and individuals. The outstanding balance of consumer loans topped NT\$1 trillion in 2020, while BOT's residential loan growth ranked No. 1 among all banks for the second consecutive year. And in response to the Ministry of Finance's long term goal of "Dual Profit Engines for Financial Holding Companies, Dual Wings for Bank Profits," in addition to its corporate banking business, BOT has successfully refocused on retail banking, and rebalanced its profit distribution.

In the area of corporate social responsibility (CSR), BOT's community service activities have continued uninterrupted throughout the pandemic. The Bank of Taiwan Arts Festival (including painting festivals for the youth and photography festivals) and the Bank of Taiwan Awards for Economic and Financial Research were held as usual, and the participants once again showed tremendous artistry and a deep understanding of economic and financial matters. In addition, the BOT continued to support community service by holding three blood donation drives, sponsoring the Taiwan Indigenous Baseball Development Association's 27th "Care Cup" baseball tournament, and working together with the Taiwan Fund for Children and Families (TFCF) to hold charitable activities for young children with developmental disabilities. In these and other ways, the Bank continued to exercise its influence and serve as a force for good in society. In addition, in recognition of the BOT's outstanding job of promoting sporting events, the Sports Administration of Ministry of Education in 2020 presented the Bank a Promotion Award (Gold Class) at its "Sports Activist Awards" ceremony, and also granted it a Sports Enterprise Certification.

The BOT also earned numerous other accolades in 2020. The Bank was selected by the FSC as a "Top Performing Bank in Implementing the Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries"; was recognized by the FSC as a "Top Bank Provider of Property Trusts for Senior Citizens and Persons with Mental and Physical Disabilities"; received a Special Award for "Lending to National Defense Contractors"; won recognition at the Ministry of Finance's Government Services Awards as a "Top Creator of Added Value Through Digital Innovation"; was elected in the Reader's Digest Trusted Brands survey as the winner of the Gold Award in the Banking category; was the No. 1 bank on Cheers magazine's list of the "Most Attractive Employers for the Younger Generation";

received a "Best Risk Management Award" at Business Today's "Wealth Management Awards for Bank and Securities Firms"; once again won the Joint Credit Information Center's "Golden Quality Award" and "Golden Security Award"; and received a Gold Award at the Ministry of Culture's annual Arts & Business Awards ceremony. For these honors, I want to express our deepest appreciation to all of our friends and customers.

Our operating results for 2020, business plans for 2021 and strategies for the Bank's future development are briefly described below.

I. Operating Results for 2020

1. Organizational Change

To expand BOT's business and build up its overseas presence, the Kuala Lumpur Representative Office officially opened on 20 February, 2020.



BOT was named champion on 30 July 2020 in the "Government-Supported Relief Loans" category of the Awards for Excellence in the FSC's "Program for Encouraging Domestic Banks to Expedite Processing of Relief and Stimulus Loans." Above photo shows BOT Chairman Joseph Jye-Cherng Lyu (4th from right) and representatives of other winning banks posing with Premier Tseng-Chang Su (center), who presented the awards, and FSC Chairperson Tien-Mu Huang (4th from left).



2. Results of Implementation of Business Plan and Operating Strategy

- (1) The BOT actively expanded and deepened its international business network at the same time that it incorporated the government's New Southbound Policy into its strategies, accelerated the pace of efforts to develop Asian markets, and sought a balanced development of ties with Asia and the West. The Bank now has business locations in the five continents of Europe, North America, Asia, Australia, and Africa, and with BOT's international business network continually growing, the Bank is now well positioned to further strengthen cooperation with leading multinational banks to pursue the benefits of complementarity and build up its international banking capability.
- (2) Results of Implementation of Operating Strategy

Unit: NT\$ Billion; US\$ Billion (for Foreign Exchange)

Year Major Operation Category	2020	2019
Deposits	4,065.1	3,991.4
Loans	2,810.5	2,731.6
Guarantees	91.5	85.1
Foreign Exchange (US\$)	359.8	373.3
Precious Metals	126.0	139.4
Government Employees Insurance	23.6	23.5
Trust Business	430.0	431.6
Agency (Insurance Brokerage)	40.1	54.4

3. Budget Implementation

The volume of deposits during the year aggregated to NT\$4.07 trillion, giving a target achievement rate of 115.24%. Loans amounted to NT\$2.81 trillion, for a target achievement rate of 119.14%. Foreign exchange operations undertaken in 2020 totaled US\$359.82 billion, amounting to 112.51% of the target figure, and income after tax reached NT\$11.52 billion, achieving 155.86% of the target.

4. Revenues, Expenditures and Profits

(1) Net interest income for 2020 amounted to NT\$27.49 billion; non-interest income (net) totaled NT\$6.65 billion; bad debt expenses and reserve for guarantees amounted to NT\$310 million; and operating expenses totaled NT\$21.48 billion. Income before tax reached NT\$12.34 billion;

and income tax amounted to NT\$830 million, leaving a net income after tax of NT\$11.52 billion; and after factoring out the NT\$11.42 billion burden of various measures taken in support of government policy (e.g. preferential interest rates paid out on the retirement savings deposits of public employees and veterans, the cost of administering the Labor Pension Fund, the Government Employees Insurance scheme, and the Military Personnel Saving Administration's deposit business), the Bank's 2020 income before tax would come to NT\$23.76 billion, which was NT\$15.02 billion higher than the figure of NT\$8.74 billion called for in BOT's statutory budget.

- (2) Pre-tax Return on Assets (ROA) for 2020 was 0.23%, pre-tax Return on Risk-Weighted Assets (RoRWA) was 0.57%; and after factoring out the burden of various measures taken in support of government policy, pre-tax ROA would amount to 0.49%, pre-tax RORWA would amount to 1.11%.
- (3) Pre-tax Return on Equity (ROE) for 2020 was 3.24%; and after factoring out the burden of various measures taken in support of government policy, pre-tax ROE would amount to 6.25%.

5. Research and Development

In order to further enrich the customer experience and provide better services, the BOT has sought in recent years to move forward with FinTech innovation. The Bank is working actively to file patent applications by tapping into the administrative resources and individual creativity within its various units. In response to changes in the financial environment and the needs of business development, the Bank continued collecting and analyzing information on domestic and overseas economic and financial conditions as well as the development of major industries, and compiling analytical reports related to economics, financial markets and major industries as reference in expanding the Bank's business.

II. Business Plans for 2021

1. Business Strategy and Major Operating Policies

BOT continues to improve operating efficiency and enhance corporate culture. It has joined hands with the industrial community to create economic and social value for Taiwan, and has adopted the following operating policies with a view to achieving sustainable development and maintaining sound business operations:

(1) Coordinate with the government's pension reform program by gradually reducing time deposits as a share of total deposits, thus cutting the cost of funds, as well as continue promoting the wealth management business in order to increase fee income.



- (2) Continue expanding loans to private companies (especially to small and medium enterprises) and home loans in order to raise average lending rates, boost the loans to deposits ratio, and increase total income.
- (3) Leverage the Bank's competitive advantage in its overseas business network, work actively to enter into cooperative partnerships with world-leading financial institutions, and seek balanced development in Asia and the West in order to solidify the foundations of its business and achieve greater profitability.
- (4) Promote sustainable finance, and incorporate environmental sustainability, social engagement, corporate governance, care for employees, and customer interests into the Bank's corporate culture and business strategy.
- (5) Take a People-Centered approach, work to afford customers a better "all-digital financial experience," and together create a new financial ecosystem.
- (6) Strengthen the AML/CFT mechanism by continuing to issue (or amend) related in-house by-laws and rules, aligning BOT practices with international standards, taking active steps to improve systems and optimize information systems, and improving operational performance.
- (7) Reinforce cybersecurity by continuing to abide by the nation's cybersecurity strategy and legislation, implementing management systems, improving defense measures, and strengthening early warning and defense/response capabilities, thereby providing secure financial services.
- (8) Strengthen its risk-bearing capacity and enhancing its business development capabilities to appropriately control asset structure and the growth of risk assets, and strengthen the momentum of sustainable business practices.
- (9) Coordinate with business strategies by actively cultivating personnel with inter-disciplinary expertise in such fields as business management, international finance, marketing planning, digital finance, risk management, legal compliance, internal auditing, internal controls, credit, foreign exchange, trusts, wealth management, insurance, legal affairs, information, cybersecurity, and industry analysis.
- (10) Emphasize the value of ESG within the bank, promote the concept of ESG throughout the market place, and incorporate the ESG criteria into the bank's operations in coordination with customers, suppliers, etc., with a view to deepening sustainable development of the overall economy.

2. Business Targets

The following BOT business targets for 2021 were formulated in accordance with the Business Plan approved by the Ministry of Finance, with consideration given to past performance as well as to future trends of development.

(1) Deposits: NT\$3.55 trillion

(2) Loans: NT\$2.41 trillion

(3) Foreign Exchange: US\$319.8 billion

(4) Income Before Tax: NT\$9.2 billion

III. Development Strategies

- 1. Optimize the Bank's deposit and loan structure; increase lending to small and medium enterprises, overseas lending, and residential lending; strengthen marketing capabilities; and expand lending related to BOT's "Dual Wings" program.
- 2. Optimize asset allocations, achieve more efficient management of funds, and strengthen funds management and capital allocations to make more efficient use of free capital.
- 3. Integrate the resources and financial services of different BOT departments, provide comprehensive financial planning services, take a customer-driven approach in introducing a diverse range of financial products, make good use of TFH Group resources, and reap the benefits of synergy.
- 4. Promote the digital finance business, utilize digital technology, plan for introduction of new intelligent customer services, and provide point-of-sale financial services.
- 5. Improve risk management mechanisms, gradually establish climate-related risk management mechanisms; strengthen credit management, implement an early credit warning system, and strengthen risk assumption capacity.
- 6. Optimize IT equipment and systems, achieve more mature cybersecurity governance, and complete the cybersecurity defense-in-depth mechanism.
- 7. Strengthen legal compliance and improve AML/CFT/CPF mechanisms.
- 8. Address ESG and sustainability concerns, promote lines of business related to green finance, leverage the role of the BOT in the financial markets to raise the awareness of customers regarding sustainability issues, thereby spurring sustainable development of the overall economy.

IV. Impact of Market Competition, the Legal Environment, and the Overall Business Environment

1. Impact of Market Competition

In response to the galloping progress of financial technology and the opening of three internet-only banks which will further exacerbate competition among financial service providers, BOT will continue encouraging innovative research and development, leveraging on its FinTech patents, and accelerating its organizational digital transformation in order to enhance its overall competitiveness.



2. Impact of the Legal Environment

- (1) In August 2020, the FSC issued the "Regulations Governing Banks Conducting Financial Products and Services for High-Asset Customers," a deregulatory measure that allows banks to provide high-asset customers with a more diverse range of financial products and consulting services.
- (2) In August 2020, the FSC launched the "Green Finance Action Plan 2.0" to guide financial institutions to gradually expand beyond their current focus on financing for the green energy industry, and branch out additionally to support green and sustainable industries.
- (3) In September 2020, the FSC launched "Trust 2.0-The Promotion Plan for Comprehensive Trust Services" to encourage financial institutions to develop a comprehensive type of trust business that provides customers with services tailored to their particular needs.
- (4) To prevent excessive share of bank resources from flowing into real estate loans, the Central Bank in December 2020 amended a set of prudential measures targeting real estate lending.

3. Impact of the Overall Business Environment

The global economy was affected by the COVID-19 pandemic, strategic competition between the US and China, and other uncertainties, but the Taiwan government rolled out a relief and economic stimulus package, launched the "Three Major Programs for Investing in Taiwan, " and continued implementing the "Forward-looking Infrastructure Development Program." All these measures boosted the momentum of domestic economic growth and improved the development prospects of the banking industry.

V. Credit Ratings

Items	Rating Date	Assigne	Assigned Rating						
Rating Agency	nating Date	Long-term	Short-term	Outlook					
Standard & Poor's	Nov. 2020	A+	A-1	Stable					
Moody's Investors Service	Mar. 2021	Aa3	P-1	Positive					
Taiwan Ratings Corp.	Nov. 2020	twAAA	twA-1+	Stable					

We witnessed a number of global political and economic disturbances over the past year, but BOT employees, acting under the leadership of top management and supervisors at all levels, once again performed outstandingly. Earnings met targets smoothly, while asset quality and risk-bearing capacity remained stable.

Looking to 2021, the COVID-19 pandemic will continue to affect the global economy, but the BOT will remain supportive of the government's major economic development policies, and will also continue to rely on its financial professionalism to stay on the watch for signs of a post-recovery turnaround. Maintaining a positive mindset, the Bank will confront difficulties and challenges head-on while working to achieve its vision of "A leading bank with global presence."

Chairman Joseph Lyu

President



Front Row (left to right):

Senior Executive Vice President & General Auditor | Lee, Li · Senior Executive Vice President | Lin, Li-Ling Chairman | Joseph Jye-Cherng Lyu · President | Hsu, Chih-Wen Senior Executive Vice President & Chief Compliance Officer | Chen, Hui-Ping

Back Row (left to right):

Senior Executive Vice President | Ju, Yeung-Rong · Senior Executive Vice President | Kang, Fan Senior Executive Vice President | Pan, Rong-Yaw

A Brief Introduction of the Bank

I. Date of Establishment: May 20, 1946

II. Brief History

The Bank of Taiwan Kabushiki-gaisha, the predecessor of Bank of Taiwan, was established in 1899 as Taiwan's Central Bank during the Japanese ruling period. It issued local currency and provided financial resource to enterprises. The Bank of Taiwan (BOT) was established on May 20, 1946 as the first government-owned bank following the island's restoration to the Republic of China in 1945. During much of its operating history, it has been under the administration of the Taiwan Provincial Government. Following the phase-out of the Taiwan Provincial Government on Dec. 21, 1998, the Bank was subsequently taken over by the central government of the Republic of China and placed under the administration of the Ministry of Finance, in accordance with the regulations on government-owned financial institutions. BOT has been judicial person under Banking Act since 1985. Effective July 1, 2003, BOT became a corporate organization under Company Act. In accordance with the regulations on financial holding companies, on January 1, 2008, Taiwan Financial Holdings was established on the basis of the share transfer. Meanwhile, the Bank became a subsidiary of Taiwan Financial Holdings. On January 2, 2008 the Bank split its Department of Securities and Department of Life Insurance to organize the other two subsidiaries of Taiwan Financial Holdings, namely, BankTaiwan Securities Co., Ltd. and BankTaiwan Life Insurance Co., Ltd.

During its formative years, the BOT managed the business of the public treasury, issued currency in the Taiwan area, and carried out many of the functions of a central bank. In the early years following the central government's move to Taiwan in 1949, it acted as agent in carrying out most of the functions of the Central Bank of China (CBC), thus giving it a dual character: that of a central bank, as well as a general commercial bank. Following restoration of the CBC in Taiwan in July 1961, however, the BOT switched its primary emphasis to general banking. After the passage of the Local Autonomy Law in July 1994, the provincial, county, and city governments were given the right to choose the banks in which to deposit their funds. Faced with competition from other banks, the BOT has been able to rely on its outstanding image and efficiency, which it built up through decades of effort. It has steadfastly adhered to sound operating principles. It is also responsible for the operation of businesses related to the issuance of New Taiwan Dollar currency, the handling of deposits of military and civil servants' retirement funds at preferential interest rates, student loans and other policy-related operations. Meanwhile, BOT has facilitated financial service to critical infrastructure and various industrial innovation and economic revitalization projects to support economic growth and industrial development of Taiwan. The Bank strongly supports Taiwan's economic development with sufficient financial function and plays a leading position of financial systems in Taiwan.

Recently, the Bank's new corporate vision has been defined as: "A leading bank with global presence". This vision encompasses a strategy whereby BOT strongly supports the country in moving steadfastly toward a strong and stable economy in providing enterprises with robust and comprehensive financial services. BOT has continued to pursue innovations in FinTech to enhance and improve its financial services capabilities.



In an effort to speed up its global reach, BOT has collaborated with leading international banks and expanded its overseas networks to five continents, thereby affirming BOT's leading position among all the Taiwanese banks.

BOT is strongly committed to its CSR (Corporate Social Responsibility), and has promoted its affinity credit card program including "Guide Dog Affinity Card" which is co-branded with Taiwan Guide Dog Association. It has also organized "Bank of Taiwan Arts Festival," "Bank of Taiwan Awards for Economic and Financial Research" and various social welfare campaigns to underprivileged groups. Furthermore, BOT has upgraded its CSR to include art and culture.

BOT has existed under the "Bank of Taiwan" brand now for over 120 years, and is instantly recognizable as a symbol of financial strength and stability which portrays its core values. It is committed to supporting sustainable economic growth. BOT always aims to identify and offer the best possible financial solutions to government and industry, and to support Taiwan in maintaining a robust economy, which thrives on creativity, innovation and technology.

At the end of 2020, the capital of the BOT was NT\$109 billion and its assets amounted to over NT\$5.0 trillion. Its deposits and loans accounted for 9.40% and 9.27%, respectively, of the total figure for domestic banks. According to The Banker magazine's Top 1000 World Banks 2020, as published in its July 2020 issue, the BOT ranked 124th in total assets and ranked 177th in terms of Tier 1 capital in the global banking industry.



BOT Chairman Joseph Jye-Cherng Lyu (9th from right), Deputy Minister of Culture Hsiao, Tsung-huang (8th from right), and senior management from the Taiwan Financial Holdings Group pose for a group photo with the award winners at the awards ceremony held on 17 August 2020 for the "Youth Painting Division of the 2020 Bank of Taiwan Arts Festival."



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V. Number of Shares in the Same Reinvested Enterprises Held by the Bank and Its Directors, Supervisors, President, Senior Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Consolidated Shareholding

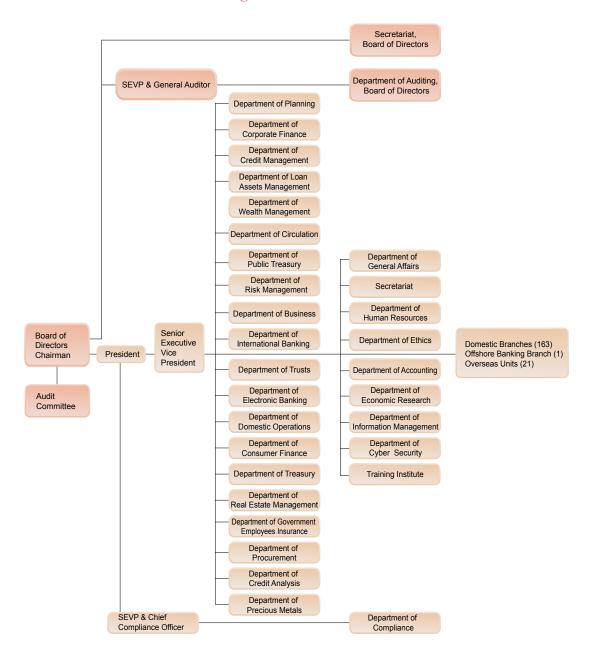


Corporate Governance Report

I. Organization

At the end of March 2021, the Bank's management organization consisted of Board of Directors, Audit Committee, Secretariat (Board of Directors), Department of Auditing (Board of Directors), 30 departments, 163 domestic branches, one Offshore Banking Branch, and 21 overseas units (including New York Branch, Los Angeles Branch, Hong Kong Branch, Tokyo Branch, Singapore Branch, South Africa Branch, London Branch, Shanghai Branch, Guangzhou Branch, Fuzhou Branch, Sydney Branch, Shanghai JiaDing Sub-Branch, Mumbai Representative Office, Yangon Representative Office, Silicon Valley Representative Office, Bangkok Representative Office, Frankfurt Representative Office, Manila Representative Office, Ho Chi Minh City Representative Office, Jakarta Representative Office and Kuala Lumpur Representative Office).

Organization Chart



Functions of Major Departments

Department	Functions
Secretariat, Board of Directors	Handles important matters and documentary affairs related to the Board of Directors.
Department of Auditing, Board of Directors	Takes care of planning, implementation, and examination of internal auditing matters, and participates in the formulation and revision of operating and management regulations.
Department of Planning	Responsible for articles of incorporation, organization regulations, annual operating plans, evaluation of departments, public relations, legal affairs, and FinTech innovations.
Department of Corporate Finance	Handles matters of designing new products, planning for and promoting corporate finance business, and the supply of consulting assistance services to operating branches.
Department of Credit Management	Handles planning, supervision, examination, consulting assistance services, and management for loan business.
Department of Loan Assets Management	Takes care of planning, examination, supervision, and management related to non-performing loans, loans for collection, and the clearing up of bad loans.
Department of Wealth Management	Handles planning, marketing, evaluation, administration and training of wealth management.
Department of Circulation	Handles the collection and payment, transport, adjustment of supply and demand, and the recovery of worn bills associated with the issuances of New Taiwan currency.
Department of Public Treasury	Handles agency operations for public treasuries at all levels, and direction and supervision of the business of branch treasuries.
Department of Risk Management	Responsible for the planning and revision of risk management, and the formulation and integration of risk management regulations.
Department of Business	Takes care of general deposit, loan, remittance, and agency businesses.
Department of International Banking	Takes care of foreign exchange operations, foreign banking and overseas branch businesses, correspondent banking relations, and operational planning and management for the foreign exchange business.
Department of Trusts	Controls trust businesses and auxiliary businesses.
Department of Electronic Banking	Responsible for planning, research and development, marketing, integration, supervision, management and examination of the electronic banking business.
Department of Consumer Finance	Takes care of planning, promotion, management, and consultation assistance services for the consumer finance, credit card, and bank card business.
Department of Treasury	Handles allocation, planning, and utilization of New Taiwan Dollar and foreign currency, and securities investment.
Department of Real Estate Management	Takes care of maintenance of buildings and general management of real estate.
Department of Procurement	Handles procurement matters under concentrated system for government institutions, public schools and public enterprises.
Department of Domestic Operations	Handles matters related to deposit business, ATMs, planning and evaluation of domestic branches, and customer complaints.
Department of Government Employees Insurance	Handles, under the Government's authorization, the general life insurance for civil servants and teachers.
Department of Precious Metals	Handles the precious metals and customs quotas business.
Department of Credit Analysis	Responsible for the collection, surveying, and editing of data related to the credit investigation, as well as overseas credit investigation services.
Department of General Affairs	Handles general affairs, cashier affairs, and procurement of articles and appliances in office.
Secretariat	Takes care of important affairs, documentation, chop management, meetings, and editing.
Department of Human Resources	Carries out the planning, study, and implementation of personnel affairs.
Department of Ethics	Looks after the propagation of ethics laws and regulations, and the formulation and revision of ethics regulations.
Department of Accounting	Responsible for the planning and formulation of accounting systems, budgets, statistics, internal auditing, and inter-branch settlement.
Department of Economic Research	Carries out the analysis of domestic and overseas economic and financial, banking business research, and the compilation of economic publications.
Department of Information Management	In charge of research, analysis, planning and implementation of information operations, and development and establishment of information systems.
Department of Compliance	Handles the planning, management, and execution of the regulatory compliance system, antimoney laundering, and countering terrorism.
Department of Cyber Security	Responsible for the formulation, planning and implementation of cyber security systems.
Training Institute	Responsible for the planning and implementation of personnel training and advanced training.



II. Directors, Supervisors, Top Management, and Advisers

1. Directors and Supervisors

(1) Information on Directors and Supervisors

Mar. 31, 2021

Title	Name	Gender	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the Bank and Other Companies
Chairman	JOSEPH JYE-CHERNG LYU	Male	Aug. 3, 2018	Aug. 31, 2016	Master of Management, Kellogg School, Northwestern University, U.S.A. Bachelor of Commerce, Dept. of Money and Banking, National Chengchi University Minister without Portfolio, Executive Yuan Minister, Ministry of Finance Board of Director, Central Bank of the Republic of China Chairman of the Board, Mega International Commercial Bank Chairman of the Board, Bank of Taiwan President & CEO, Land Bank of Taiwan Vice Chairman, State-owned Enterprise Commission Vice President, Bank of New York, New York Headquarter Chairman of the Board, The Bankers Association of the Republic of China Board Director, Taiwan Stock Exchange Board Director, Taiwan Futures Exchange Board Director, Joint Credit Information Center Board Director & Executive Vice President, Chunghwa Telecom Co., Ltd. Board Director, China Steel Corporation Distinguished Chair Professor, School of Management, National Sun Yat-Sen University Adjunct Professor, School of Technology Management, National Tsing Hua University	Chairman, Taiwan Financial Holding Co., Ltd. Chairman of the Board, The Bankers Association of the Republic of China Board Director, Taiwan Futures Exchange Board Director, Joint Credit Information Center Board Director, Taiwan Academy of Banking and Finance Distinguished Chair Professor, School of Management, National Sun Yat-Sen University Adjunct Professor, School of Technology Management, National Tsing Hua University Board Director, National Culture and Arts Foundation
Managing Director	HSU, CHIH-WEN	Male	Nov. 2, 2020	Nov. 2, 2020	BA of Dept. of Economics, Soochow University Senior Executive Vice President, Bank of Taiwan Director, Hua Nan Commercial Bank Ltd. Supervisor, Taiwan Small & Medium Enterprise Counseling Foundation EVP & General Manager, Dept. of Corporate Finance, Bank of Taiwan EVP & General Manager, Dept. of International Banking, Bank of Taiwan SVP & General Manager, Bank of Taiwan Hong Kong Branch	President, Bank of Taiwan Director, Taiwan Financial Holding Co., Ltd. Director, Taipei Forex Inc. Director, Taiwan Small & Medium Enterprise Counseling Foundation Adviser, The Bankers Association of the Republic of China Director, Taipei Interbank Money Center, The Bankers Association of the Republic of China Adviser, The Bankers Association of Taipe
Independent Managing Director	TSAI, MING-FANG	Male	Aug. 3, 2018	Aug. 3, 2018	Ph.D. in Industrial Economics, National Central University Adjunct Professor, Dept. of International Business, Soochow University Adjunct Professor, Graduate Institute of Industrial Economics, National Central University Independent Director, BankTaiwan Securities Co., Ltd. Independent Director, First Life Insurance Co., Ltd.	Joint-appointment Professor, Dept. of Industrial Economics & Economics, Tamkang University Independent Director, Taiwan Financial Holding Co., Ltd. Director, Audit Committee, Bank of Taiwan Independent Director, United Renewable Energy Co., Ltd. Director, Eminent II Venture Capital Corporation Director, Grand Cathay Venture Capital Co., Ltd. Director, CDIB Capital Healthcare Ventures Co., Ltd.

Title	Name	Gender	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the Bank and Other Companies
Managing Director	JUAN, CHING-HWA	BA of Dept. of Business Management, National Chengchi University Administrative Deputy Minister, Ministry of Finance Director-General, National Treasury Administration, Ministry of Finance		National Chengchi University Administrative Deputy Minister, Ministry of Finance Director-General, National Treasury Administration, Ministry of Finance Director-General, National Taxation Bureau of the Central Area, Ministry of Finance	Political Deputy Minister, Ministry of Finance	
Managing Director	CHANG, JUIN-JEN	Male Aug. 3, 2018 Aug. 4 Associate Research Fellow, Institute of Economics, Academia Sinica Joint-appointment Professor, National Sun Yat-sen University Joint-appointment Professor, Fu-Jen Catholic University		University Deputy Director, Institute of Economics, Academia Sinica Associate Research Fellow, Institute of Economics, Academia Sinica Joint-appointment Professor, National Sun Yat-sen University Joint-appointment Professor, Fu-Jen Catholic University Joint-appointment Professor, National Central		Research Fellow, Institute of Economics, Academia Sinica
Independent Director	CHEN, MING-CHIN	Male	Sep. 12, 2018	July 31, 2012 (July 31, 2012- Aug. 2, 2018)	Ph.D. in Accounting, Arizona State University, U.S.A. Chairman, Dept. of Accounting, National Chengchi University International Exchange of Scholar, J. William Fulbright Foreign Scholarship Board, U.S.A. Commissioner, Administrative Appeals Commission, Taipei City Government	Professor, Dept. of Accounting, National Chengchi University Member, Audit Committee, Bank of Taiwan Independent Director, TaiMed Biologics Inc. Commissioner, Administrative Appeals Commission, Ministry of Finance Committee Member, The Taxpayer Rights Protection Advisory Committee, Ministry of Finance Independent Director, Ruentex Materials Co., Ltd. Board Director, Taiwan Stock Exchange Corporation (TWSE)
Independent Director	CHANG, CHUNG-YUEH	Nov. 28, 2019 Nov. 2		Professor, Dept. of Accounting, National Taipei University Member, Audit Committee, Bank of Taiwan Director, Taipei Exchange (TPEx) Supervisor, Legal Aid Foundation		
Director	CHEN, NAN-KUANG	Male	Aug. 3, 2018	Mar. 22, 2018	Ph.D. in Economics, University of Minnesota, U.S.A. Professor, Associate Professor, Assistant Professor, Dept. of Economics, National Taiwan University Instructor, Dept. of Economics, University of Minnesota, U.S.A.	Deputy Governor, Central Bank of the Republic of China (Taiwan) Alternate Governor for the ROC Central American Bank for Economic Integration Alternate Governor for the ROC Asian Development Bank



Title	Name	Gender	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the Bank and Other Companies
Director	HUANG, SHU-JUAN	Female	Feb. 20, 2020	Feb. 20, 2020	M.A. in Graduate Institute of National Development, National Taiwan University Chief Secretary, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) Director, Department of Planning, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) Supervisor, Taiwan Tobacco and Liquor Corporation	Director, Department of Special Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) Supervisor, Small and Medium Enterprise Credit Guarantee Fund of Taiwan
Director	CHANG, WEN-HSI	Male	May 28, 2020	May 28, 2020	Ph.D. in Information Management, Tamkang University Director, Dept. of Information Management, Ministry of Labor Director, Information Technology Division, National Archives Administration. National Development Council	Director-General, Fiscal Information Agency, Ministry of Finance
Director	HSU, HUI-FENG	Male	Aug. 3, 2018	Aug. 3, 2018	J.S.D., Washington University in St. Louis U.S.A. Dean of College of Law, Chinese Culture University Director, Dept. of Law, Chinese Culture University	Professor, Dept. of Law, Chinese Culture University Director, School of Continuing Education, Chinese Culture University Chief Senior Counselor/Taiwan Lawyer/ Arbitrator, Washington Group & Associates Commissioner, Central Election Commission Director, Dachang Venture Capital Co., Ltd.
Director	WU, TE-JEN	Male	Aug. 3, 2018	Aug. 3, 2018	Master of Finance, Dayeh University Senior Banking Officer, Employee Benefits Committee, Bank of Taiwan Senior Banking Officer & Assistant General Manager, Department of Information Management, Bank of Taiwan	Assistant Vice President, Employee Benefits Committee, Bank of Taiwan
Director	LIN, CHENG-TAN	Male	Aug. 3, 2018	Aug. 3, 2018	Master of Finance, Dayeh University Banking Officer & Deputy Manager, Changhua Branch, Bank of Taiwan Banking Officer & Deputy Manager, Taichung Branch, Bank of Taiwan	Senior Banking Officer & Manager, Changhua Branch, Bank of Taiwan Vice president, Bank of Taiwan Labor Union Executive Secretary, Bankers Association of Changhwa County

Note:1. All directors are assigned by the Taiwan Financial Holding Co., Ltd.

- 2. Taiwan Financial Holding Co., Ltd. holds 100% of shares of the Bank of Taiwan (10.9 billion shares). The Ministry of Finance holds 100% of shares of the Taiwan Financial Holding Co., Ltd. (10.3125 billion shares).
- 3. No director is the spouse of, or related within the second degree of kinship to, any head of department, director, or supervisor.
- 4. The position of chairperson, president, or another equivalent position (highest managerial position) is neither held by the same person nor by spouses or relatives within the first degree of kinship.
- 5. The terms of all directors will expire on August 2, 2021.
- 6. All directors are of R.O.C. nationality.

(2) Major Shareholders of the Institutional Shareholders

Mar. 31, 2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Taiwan Financial Holding Co., Ltd.	Ministry of Finance

(3) Professional Qualifications and Independence Analysis of Directors and Supervisors

Mar. 31, 2021

Criteria		ing Professional Qualification at Least Five Years Work Expe				ı	Inde	ере	nde	ence	e C	rite	ria (Not	es)	
An Instructor or I- Position in a Depa of Commerce, I Finance, Accour or Other Acade Department Rela the Business Nee the Bank in a Put Private Junior Co College or Unive		A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Bank	Have Work Experience in the Areas of Commerce, Law, Finance, Accounting, or Others Necessary for the Business of the Bank		2	3	4	5	6	7	8	9	10	11	12	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
JOSEPH JYE- CHERNG LYU	V		V	٧		٧	٧		٧	V	٧	٧	٧	٧		0
HSU, CHIH-WEN			V	٧		٧	٧		٧	٧	٧	٧	٧	٧		0
TSAI, MING-FANG	V			٧	٧	٧	v	V	V	٧	٧	V	V	V	Taiwan Financial	2 (Taiwan Financial Holding Co., Ltd.& United Renewable Energy Co., Ltd.)
JUAN, CHING-HWA			V	٧	V	٧	٧		V	٧	٧	٧	٧	V	Holding	0
CHANG, JUIN-JEN	V		-	٧		٧			٧				_	٧	Co., Ltd.	0
CHEN, MING-CHIN	V	V	V	٧	٧	٧	٧	٧	٧	٧	٧	V	V	٧	holds 100% of shares of the Bank and	2 (TaiMed Biologics Inc. & Ruentex Materials Co., Ltd.)
CHANG, CHUNG- YUEH	V			٧	٧	٧	٧	٧	٧	٧	٧	٧	٧	٧	assigned all	0
CHEN, NAN-KUANG	V			٧	٧	٧	٧	٧	٧	٧	٧	٧	٧	٧	directors.	0
HUANG, SHU-JUAN			V	٧	٧	٧	٧		٧				٧	٧		0
CHANG, WEN-HSI			V	٧	٧	٧			٧	٧	٧	٧	٧	٧		0
HSU, HUI-FENG	V	V		٧	٧	٧	٧	٧	٧	٧	٧	٧	٧	٧		0
WU, TE-JEN			V		٧	٧	٧	٧	٧	٧	٧	٧	٧	٧		0
LIN, CHENG-TAN			V		٧	٧	٧	٧	٧	٧	٧	٧	٧	٧		0

Note: A tick in the corresponding boxes indicates that the director or supervisor meets the following qualifications during the two years prior to being elected or during the term of office.

- 1. Not an employee of the Bank or any of its affiliates.
- 2. Is not a director or supervisor of the Bank or any of its affiliates. (However, this provision shall not apply to any person who serves concurrently as an independent director [appointed in accordance with the provisions of the Securities and Exchange Act or the legislation of a foreign host jurisdiction] at the Bank and its parent company, a subsidiary of the Bank, or a subsidiary of the Bank's parent company.)
- 3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Bank or ranking in the top 10 in holdings.
- 4. Is not a manager as set out in point 1 above, and is not a spouse, a relative within the second degree of kinship, or lineal relative within the third degree of kinship as set out in points 2 and 3 above.
- 5. Is not a director, supervisor, or employee of a juristic person shareholder that: (a) either directly holds 5 percent or more of the total outstanding shares of the Bank, or (b) is one of the top five juristic person shareholders of the Bank. Also, is not a director, supervisor, or employee of a juristic person shareholder that has appointed a representative to serve as a director or supervisor at the Bank pursuant to Article 27, paragraph 1 or 2 of the Company Act. (However, these provisions shall not apply to any person who serves concurrently as an independent director [appointed in accordance with the provisions of the Securities and Exchange Act or the legislation of a foreign host jurisdiction] at the Bank or its parent company, a subsidiary of the Bank, or a subsidiary of the Bank's parent company.)
- 6. Is not a director, supervisor, or employee of another company that is controlled by the same party that controls more than half of the Bank's director seats or holds more than half of the Bank's voting shares. (However, this provision shall not apply to any person who serves concurrently as an independent director [appointed in accordance with the provisions of the Securities and Exchange Act or the legislation of a foreign host jurisdiction] at the Bank or its parent company, a subsidiary of the Bank, or a subsidiary of the Bank's parent company.)
- 7. Is not a director, supervisor, or employee of another company where the position of chairman, president, or another equivalent position is concurrently held at the Bank by the same person or by his/her spouse. (However, this provision shall not apply to any person who serves concurrently as an independent director [appointed in accordance with the provisions of the Securities and Exchange Act or the legislation of a foreign host jurisdiction] at the Bank or its parent company, a subsidiary of the Bank, or a subsidiary of the Bank's parent company.)
- 8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Bank. (However, this provision shall not apply to any specified company or institution that holds 20% to 50% of the Bank's issued and outstanding shares, and serves concurrently as an independent director [appointed in accordance with the provisions of the Securities and Exchange Act or the legislation of a foreign host jurisdiction] at the Bank and its parent company, a subsidiary of the Bank, or a subsidiary of the Bank's parent company.)
- 9. Is not a professional individual (or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution) that provides auditing services to the Bank or any affiliate of the Bank, or that provides commercial, legal, financial, accounting, or related services to the Bank or any affiliate of the Bank for which the provider in the past two years has received cumulative compensation not exceeding NT\$500,000, or a spouse thereof; provided, however, that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- 10. Not having a marital relationship, or a relative within the second degree of kinship, to any other director of the Bank.
- 11. Not a person of any condition defined in Article 30 of the Company Act.
- 12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.



2. Top Management

Mar. 31, 2021

Title	Name	Gender	Date Effective	Education	Other Position
President	HSU, CHIH-WEN	Male	Nov. 19, 2020	BA of Dept. of Economics, Soochow University	Director, Taiwan Financial Holding Co., Ltd. Director, Taiwan Small & Medium Enterprise Counseling Foundation Adviser, The Bankers Association of the Republic of China Director, Taipei Interbank Money Center, The Bankers Association of the Republic of China Adviser, The Bankers Association of Taipei Director, Taipei Forex Inc.
Senior Executive Vice President temporarily acting as chairman of BankTaiwan Insurance Brokers	KANG, FAN	Female	July 20, 2018	Master of Economics, Indiana State University	Director, First Financial Holdings Co., Ltd. Director, Trust Association of R.O.C. Director, Financial Planning Association of Taiwan Director, BankTaiwan Insurance Brokers Co., Ltd.
Senior Executive Vice President	LIN, LI-LING	Female	Nov. 30, 2018	BA of Dept. of Banking, National Chengchi University	Director, Taiwan Business Bank
Senior Executive Vice President and concurrently Secretary-General of the Board of Directors and Chief Corporate Governance Officer	PAN, RONG- YAW	Male	July 5, 2019	Master of Public Finance, National Chengchi University	Director, BankTaiwan Securities Co., Ltd. Executive Secretary, Taipei Interbank Money Center, The Bankers Association of the Republic of China
Senior Executive Vice President	JU, YEUNG- RONG	Male	July 5, 2019	Master of Computer Science, Asian Institute of Technology	Chief Information Officer of Taiwan Financial Holding Co., Ltd. Director, Financial eSolution Co., Ltd. Chairman, Banking Automation Committee, The Bankers Association of the Republic of China Member, Certificate Policy Management Committee, The Bankers Association of the Republic of China Member, Financial Information Systems Interbank Business to Participate in the Statute of the Executive Committee, Financial Information Service Co., Ltd. Director, Tea Industry Co., Ltd. joint venture in China Committee Member, Financial Information Sharing and Analysis Center, Financial Information Service Co., Ltd.

Title	Name	Gender	Date Effective	Education	Other Position
Senior Executive Vice President & Chief Compliance Officer (concurrently SEVP & Chief Compliance Officer at Taiwan Financial Holding Co., Ltd.)	CHEN, HUI-PING	Female	Aug. 28, 2020	LL.M., Tulane University	Director, Taiwan Financial Asset Service Corporation Committee Member, Financial Regulations and Disciplinary Committee, The Bankers Association of the Republic of China Deputy Chairperson, Legal Affairs and Disciplines Committee, Trust Association of the Republic of China
Senior Executive Vice President & General Auditor	LEE, LI	Female	Apr. 16, 2019	Master of International Trade, National Chengchi University	Director, Taiwan Financial Asset Service Corporation Member, Internal Audit Committee, The Bankers Association of the Republic of China

Note:1. Taiwan Financial Holding Co., Ltd. holds 100% of shares of the Bank of Taiwan.

- 2. None of the top management is the spouse of, or related within the second degree of kinship to, any head of department.
- 3. The Bank's president or a person holding an equivalent post (i.e. the highest executive officer) and its chairperson are not the same person, spouses, or relatives within the first degree of kinship.
- 4. All the senior officials are of R.O.C. nationality.



3. Remuneration of Directors, Supervisors, President, and Senior Executive Vice Presidents for 2020

(1) Remuneration of Directors

Unit: NT\$1,000

				F	Remune	eratio	1			Ratio	of Total	Relev	ant Remu who	neration are also			rectors	Ratio	Re	
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)			ances D)	Remuneration (A+B+C+D) to Net Income After Tax (%)		Salary, Bonuses, and Allowances (E)		Seve	rance ay F)	Emp	loyee nus G)	Compe (A+B+C+ to Net Inc	ensation D+E+F+G) come After (%)	einvested Enterpri
Title	Name	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	Reinvested Enterprises other than the Bank's Subsidiary or the Parent Company
			ड		্য 		ফ		ন্ত		િ		S		জ	Stock Cash	Stock Cash		জ	pany
Chairman	JOSEPH JYE-CHERNG LYU	-																		
Managing Director	CHIOU, YE-CHIN																			
Managing Director	HSU, CHIH-WEN																			
Managing Director	JUAN, CHING-HWA																			
Managing Director	CHANG, JUIN-JEN																			
Director	LU, CHIOU-SHIANG							1,753 1,	1,753	0.05%	0.05%	7,264 7,		442	2 442	None		0.11%	0.11%	631
Director	HUANG, SHU-JUAN	3,617	3,617	No	one	N	one						7,264							
Director	HSU, HUI-FENG																			
Director	HO, YI-CHENG																			
Director	CHEN, CHUAN-HSI																			
Director	CHANG, WEN-HSI																			
Director	CHEN, NAN-KUANG																			
Director	LIN, CHENG-TAN																			
Director	WU, TE-JEN																			
Independent Managing Director	TSAI, MING-FANG																			
Independent Director	CHEN, MING-CHIN	None	None	Ne	one	N	one	720	720	0.006%	0.006%	None	None	None	None	No	one	0.006%	0.006%	36
Independent Director	CHANG, CHUNG-YUEH																			

Please describe policies, standards, and packages for payment of remuneration to independent directors, and describe how the duties, risks, and time spent on the job by each such director are correlated with the amount of remuneration: BOT is a 100% government-owned bank. As such, the standards governing remuneration of its independent directors are adopted in accordance with the rules issued by the Ministry of Finance, and the independent directors exercise their powers in accordance with the provisions of the "Audit Committee Charter of the Bank of Taiwan" and the "Bank of Taiwan Rules Governing the Scope of Powers of Independent Directors."

Note: 1. Chairman Joseph Jye-Cherng Lyu was not provided with an official residence; the monthly expense for the chauffeur was NT\$42,841.

^{2.} Neither President Chiou, Ye-Chin (who was discharged on October 30, 2020) nor President Hsu, Chih-Wen (who assumed this post on November 19, 2020) were provided with residences. Their subsidies for rent and transportation are included in Column (E), "Salary, Bonuses, and Allowances." The allowance for purchase of a car was NT\$573,604, and the allowance for the chauffeur was NT\$42,841 per month.

		Name of	Directors	
Bracket	Total of ((A+B+C+D)	Total of (A+B+	-C+D+E+F+G)
	The Bank	Companies in the Consolidated Financial Statements	The Bank	The Parent Company and Reinvested Enterprises
Under NT\$1,000,000	CHIOU, YE-CHIN HSU, CHIH-WEN JUAN, CHING-HWA CHANG, JUIN-JEN LU, CHIOU-SHIANG HUANG, SHU-JUAN HSU, HUI-FENG HO, YI-CHENG CHEN, CHUAN-HSI CHANG, WEN-HSI CHEN, NAN-KUANG LIN, CHENG-TAN WU, TE-JEN TSAI, MING-FANG CHEN, MING-CHIN CHANG, CHUNG-YUEH	CHIOU, YE-CHIN HSU, CHIH-WEN JUAN, CHING-HWA CHANG, JUIN-JEN LU, CHIOU-SHIANG HUANG, SHU-JUAN HSU, HUI-FENG HO, YI-CHENG CHEN, CHUAN-HSI CHANG, WEN-HSI CHEN, NAN-KUANG LIN, CHENG-TAN WU, TE-JEN TSAI, MING-FANG CHEN, MING-CHIN CHANG, CHUNG-YUEH	HSU, CHIH-WEN JUAN, CHING-HWA CHANG, JUIN-JEN LU, CHIOU-SHIANG HUANG, SHU-JUAN HSU, HUI-FENG HO, YI-CHENG CHEN, CHUAN-HSI CHANG, WEN-HSI CHEN, NAN-KUANG TSAI, MING-FANG CHEN, MING-CHIN CHANG, CHUNG-YUEH	HSU, CHIH-WEN JUAN, CHING-HWA CHANG, JUIN-JEN LU, CHIOU-SHIANG HUANG, SHU-JUAN HSU, HUI-FENG HO, YI-CHENG CHEN, CHUAN-HSI CHANG, WEN-HSI CHEN, NAN-KUANG TSAI, MING-FANG CHEN, MING-CHIN CHANG, CHUNG-YUEH
NT\$1,000,000 ~ NT\$2,000,000			LIN, CHENG-TAN	LIN, CHENG-TAN
NT\$2,000,000 ~ NT\$3,500,000			WU, TE-JEN	WU, TE-JEN
NT\$3,500,000 ~ NT\$5,000,000	JOSEPH JYE-CHERNG LYU	JOSEPH JYE-CHERNG LYU	JOSEPH JYE-CHERNG LYU CHIOU, YE-CHIN	JOSEPH JYE-CHERNG LYU CHIOU, YE-CHIN
NT\$5,000,000 ~ NT\$10,000,000				
NT\$10,000,000 ~ NT\$15,000,000				
NT\$15,000,000 ~ NT\$30,000,000				
NT\$30,000,000 ~ NT\$50,000,000				
NT\$50,000,000 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total (Unit: NT\$1,000)	6,090	6,090	13,796	14,787



(2) Compensation of President and Senior Executive Vice Presidents

Unit: NT\$1,000

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Bonus (D)				Ratio of Total Compensation (A+B+C+D) to Net Income After Tax (%)		Reinvested Ent						
		The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank		Companies in the Consolidated Financial Statements		The Bank	Companies in the Consolidated Financial Statements	Reinvested Enterprises other than the Bank's Subsidiary or the Parent Company						
							þ	Cash	Stock	Cash	Stock		ğ	the Parent						
President	CHIOU, YE-CHIN	- 14,310																		
President	HSU, CHIH-WEN																			
Senior Executive Vice President	LIN, CHUN-LIANG							-												
Senior Executive Vice President	HSU, CHIH-WEN																			
Senior Executive Vice President	KANG, FAN																			
Senior Executive Vice President	LIN, LI-LING		14,310	11010	4 004	4 004	0.707	0.707					0.010/	0.010/	1.540					
Senior Executive Vice President	JU, YEUNG-RONG			14,310	1,391	1,391	8,727	8,727		No	one		0.21%	0.21%	1,540					
Senior Executive Vice President	PAN, RONG-YAW																			
Senior Executive Vice President	KANG, CHENG-CHUAN																			
SEVP & Chief Compliance Officer	LIN, SU-LAN																			
SEVP & Chief Compliance Officer	CHEN, HUI-PING																			
SEVP & General Auditor	LEE, LI																			

Note: Neither President Chiou, Ye-Chin (who was discharged on October 30, 2020) nor President Hsu, Chih-Wen (who assumed this post on November 19, 2020) were provided with residences. Their subsidies for rent and transportation are included in Column (C), "Bonuses and Allowances." The allowance for purchase of a car was NT\$573,604, and the allowance for the chauffeur was NT\$42,841 per month.

	Name of President and Senior Executive Vice Presidents							
Bracket	The Bank	The Parent Company and Reinvested Enterprises						
Under NT\$1,000,000	LIN, CHUN-LIANG KANG, CHENG-CHUAN CHEN, HUI-PING	LIN, CHUN-LIANG KANG, CHENG-CHUAN CHEN, HUI-PING						
NT\$1,000,000 ~ NT\$2,000,000	LIN, SU-LAN	LIN, SU-LAN						
NT\$2,000,000 ~ NT\$3,500,000	HSU, CHIH-WEN KANG, FAN LIN, LI-LING JU, YEUNG-RONG PAN, RONG-YAW LEE, LI	HSU, CHIH-WEN KANG, FAN LIN, LI-LING JU, YEUNG-RONG PAN, RONG-YAW LEE, LI						
NT\$3,500,000 ~ NT\$5,000,000	CHIOU, YE-CHIN	CHIOU, YE-CHIN						
NT\$5,000,000 ~ NT\$10,000,000								
NT\$10,000,000 ~ NT\$15,000,000								
NT\$15,000,000 ~ NT\$30,000,000								
NT\$30,000,000 ~ NT\$50,000,000								
NT\$50,000,000 ~ NT\$100,000,000								
Over NT\$100,000,000								
Total (Unit: NT\$1,000)	24,428	25,968						



III. Implementation of Corporate Governance

1. Board of Directors

A total of 12 meetings (A) of the Board of Directors were held in 2020. The attendance of the Directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A] (Note)	Remarks	
Chairman	JOSEPH JYE-CHERNG LYU	12	0	100		
Managing Director	HSU, CHIH-WEN	2	0	100	Assumed on Nov. 2, 2020	
Managing Director	CHIOU, YE-CHIN	9	0	100	Relieved on Oct. 30, 2020	
Independent Managing Director	TSAI, MING-FANG	12	0	100		
Managing Director	JUAN, CHING-HWA	11	0	92		
Managing Director	CHANG, JUIN-JEN	12	0	100		
Independent Director	CHEN, MING-CHIN	10	2	83		
Independent Director	CHANG, CHUNG-YUEH	10	1	83		
Director	CHEN, NAN-KUANG	12	0	100		
Director	HUANG, SHU-JUAN	10	1	91	Assumed on Feb. 20, 2020	
Director	LU, CHIOU-SHIANG	0	1	-	Relieved on Feb. 20, 2020	
Director	CHANG, WEN-HSI	8	0	100	Assumed on May 28, 2020	
Director	CHEN, CHUAN-HSI	1	0	100	Relieved on Jan. 16, 2020	
Director	HSU, HUI-FENG	11	1	92		
Director	HO, YI-CHENG	8	0	100	Relieved on Sep. 1, 2020	
Labor Director	WU, TE-JEN	12	0	100		
Labor Director	LIN, CHENG-TAN	12	0	100		

Other mentionable items:

- 1. The dates of meetings, sessions, contents of motions, all Independent Directors' opinion and the Company's response to Independent Directors' opinion should be specified, if there are (1) circumstances referred to in Article 14-3 of Securities and Exchange Act or (2) resolutions of the Directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing:
- (1) Not applicable as the Bank has established an audit committee.
- (2) None.
- 2.If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:
- (1) With respect to the proposal to extend credit to the Taiwan Tobacco and Liquor Corporation at the 71st meeting of the 6th Board of Managing Directors on 3 January 2020: Except for Managing Director Juan, Ching-Hwa, who recused himself because as Administrative Deputy Minister of the Ministry of Finance the borrower was under his supervision, the other attending managing directors agreed to pass the proposal.
- (2) With respect to the proposal to extend credit to China Airlines at the 85th meeting of the 6th Board of Managing Directors on 22 April 2020: Except for Managing Director Juan, Ching-Hwa, who recused himself because he was concurrently a director of the China Aviation Development Foundation, a major stockholder of the borrower, the other attending managing directors agreed to pass the proposal.
- (3) With respect to the proposal to extend credit to BankTaiwan Securities at the 18th meeting of the 6th Board of Directors on 8 May 2020: Except for Director Ho, Yi-Cheng, who recused herself because she was a party of material interest to this proposal, the other attending directors agreed to pass it.
- 3.TWSE/TPEx-listed companies are required to disclose the cycles, periods, scope, methods, and content of self-assessments (or peer-to-peer assessments) carried out by their board members, and the state of their implementation: The Bank is not listed on the TWSE or the TPEx, so this item is not applicable.
- 4. Targets in the current year or the most recent year to upgrade the function of the Board of Directors (e.g. establishment of an audit committee; steps taken to increase information transparency; etc.), and evaluation of targets achievement.
- (1) To coordinate with legislative amendments issued by the competent authority, the Bank has completed amendments to its Charter, its Organization Rules, and the Rules of Procedure for Board of Directors Meetings in order to strengthen the functions of the Board of Directors.
- (2) The members of the Board of Directors, in addition to attending the required number of hours of professional development courses, have also taken measures to step up training on AML matters, corporate governance, internal audits, and internal controls in order to ensure effective oversight and administration by the Board.

Note: The actual ratio of attendance (%) is calculated as the ratio of the number of Board of Directors meetings attended to the total number held during the term in office.

2. Audit Committee

A total of 8 Audit Committee meetings (A) were held in 2020. The attendance of the Independent Directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Independent Managing Director	TSAI, MING-FANG	8	0	100	
Independent Director	CHEN, MING-CHIN	8	0	100	
Independent Director	CHANG, CHUNG-YUEH	8	0	100	

Other mentionable items:

- 1. The dates of meetings, sessions, contents of motions, resolutions of Audit Committee and the Company's response to Audit Committee's opinion should be specified, if there are (1) circumstances referred to in Article 14-5 of Securities and Exchange Act or (2) resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all Directors:
- (1) The Bank adopted an Audit Committee Charter in accordance with Article 28 of its Charter and Article 3 of Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and agenda items are set pursuant to the applicable rules. Please refer to the pages 41 to 44 of the Chinese annual report.
- (2) None.
- 2.If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None.
- 3. Communication between the Independent Directors, internal auditing authorities and CPAs (including major items, mode and results of discussion about the Bank's finance and business).
- (1) Communication with internal auditing authorities was carried out as follows to reinforce the Bank's internal auditing work:

 Meetings of the Audit Committee that were held during this fiscal year discussed (a) a report on auditing work for the second half of 2019; (b) Internal Control Statement in 2019; (c) a report on auditing work for the first half of 2020; and (d) auditing work plan for 2021.
- (2) Communication with CPAs was carried out as follows to reinforce the content of the Bank's external auditing work:

 Meetings of the Audit Committee that were held during this fiscal year discussed (a) the internal control auditing report in 2019; (b) financial reports of 2019; (c) the financial report for the first quarter of 2020; (d) the financial report for the second quarter of 2020; and (e) the financial report for the third quarter of 2020.
- (3) In order to implement corporate governance and strengthen the management structure of the Bank, with respect to specific issues there was communication and exchanges of opinion with relevant units in charge of related activity in order to understand their situation. In addition, with respect to important issues related to Bank business, there were irregular invitations to the relevant units in charge of related activity to come to the offices of the Audit Committee for communication or information was sought by phone.
- (4) A total of 8 Audit Committee meetings were held during this year.

Note: The actual ratio of attendance (%) is calculated as the ratio of the number of Audit Committee meetings attended to the total number held during the term in office.



3. Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for Banks"

			Implementation Status
Matters Evaluated	Υ	N	Summary Description
1. Shareholding Structure and Shareholders' Rights (1) Has the Bank adopted internal procedures for the handling of shareholder suggestions, questions, disputes, and litigation? Does the Bank act in accordance with such procedures? (2) Does the Bank know the identities of the main controlling shareholders, and of the ultimate controlling shareholder? (3) Has the Bank established a risk management mechanism and "firewall" between the Bank and its affiliates? Is it implementing them?	V		 The Bank is a subsidiary of Taiwan Financial Holding Co., Ltd., which holds 100% of the Bank's stock, and the Bank respects and implements all shareholder suggestions; there have not been any disputes. The Bank is a subsidiary of the state-owned Taiwan Financial Holding Co., Ltd. (whose sole owner is the Ministry of Finance). Business having to do with related enterprises is all carried out in accordance with the provisions of the Banking Act and the regulations of the competent authority as well as the Bank's own internal control charter.
2. Composition and Responsibilities of the Board of Directors (1) In addition to the Remuneration Committee and the Audit Committee, is the Bank willing to establish other function-specific committees? (2) Does a TWSE/TPEx listed company adopt board performance evaluation rules, set out requirements on the evaluation method, conduct annual performance evaluations, report the performance evaluation results to the Board of Directors, and use the results as reference when setting the remuneration of individual directors and nominating them for extension of appointment? (3) Does the Bank carry out regular evaluations of CPA independence?	V	v	 (1) The Bank established an Audit Committee on July 31, 2009 and formulated an Audit Committee Charter. The Committee is made up of all the Bank's Independent Directors. The Bank is a 100% government-owned bank. As such, its employees' salary points are handled in accordance with regulations issued by the Ministry of Finance, and it does not have a Remuneration Committee. (2) The Bank is not a TWSE/TPEx listed company. (3) The Bank is not a TWSE/TPEx listed company. (4) The Bank is not a TWSE/TPEx listed company. (5) The Bank is not a TWSE/TPEx listed company. (6) The Bank is not a TWSE/TPEx listed company. (7) The Bank is not a TWSE/TPEx listed company. (8) The Bank is not a TWSE/TPEx listed company. (9) The Bank is not a TWSE/TPEx listed company. (10) The Bank is not a TWSE/TPEx listed company. (11) The Bank is not a TWSE/TPEx listed company. (12) The Bank is not a TWSE/TPEx listed company. (13) The Bank is not a TWSE/TPEx listed company. (14) The Bank is not an autitative manufacture is manufacture. (25) The Bank is not an autitative manufacture is manufacture. (26) The Bank is not an autitative manufacture. (27) The Bank is a two conducted the audit is manufacture. (28) The Bank is not an autitative manufacture. (29) The Bank is not an autitative manufacture. (20) The Bank is not an autitative manufacture. (30) The Bank is not an autitative manufacture. (4) The Bank is a two conducted the audit is manufacture. (5) The Bank is a two conducted the audit is manufacture. (6) The Bank is a two conducted the audit is manufacture. (7) The Bank is a two conducted the audit is manufacture. (8) The Bank is a two conducted the audit is manufacture. (9) The Bank is a two conducted the audit is manufacture. (19) The Bank is a two conducted the audit is manufacture. <l< td=""></l<>

			Implementation Status
Matters Evaluated	Υ	N	Summary Description
3. Does the Bank have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs? Output Description:	V		 The Bank assigns appropriate corporate governance personnel to all units in charge of bank business, and moreover has appointed a chief corporate governance officer since May 10, 2019. At present the chief corporate governance officer is Pan, Rong-Yaw, who is concurrently senior executive vice president and secretary-general of the Secretariat of the Board of Directors. Corporate governance affairs include the following: Handling matters related to holding meetings of the Board of Directors and shareholders in accordance with the law; producing minutes of meetings of the Board of Directors and shareholders; assisting directors and members of the Audit Committee with taking office, continued professional development, legal compliance, and provision of information needed for undertaking bank business; and other matters determined by the corporate charter or contracts.
4. Has the Bank established a communication channel with interested parties? Does it provide a designated section for stakeholders on the company website, and respond appropriately when stakeholders raise concerns about important issues relating to corporate social responsibility?	V		 The Bank maintains a mailbox for complaints and suggestions on its website, as well as a customer service telephone hotline, providing materially interested persons with a diversity of communication channels. Its internal website also contains a Chairman's Mailbox, President's Interchange, and employees' discussion area as channels for employee suggestions. The Bank's website has special areas for corporate governance and social responsibility/interested parties and provides contact information for the Bank's spokesperson and a contact window for customers; the Bank responds appropriately to relevant issues raised.
5. Information Disclosure			
(1) Has a corporate website been established to disclose information regarding the Bank's financial, business, and corporate governance status?	V		(1) The Bank's website (https://www.bot.com.tw) regularly discloses information on finance, business, and corporate governance.
(2) Has the Bank established other information disclosure channels?	V		(2) An English version of the Bank's website that provides information on bank finances, business, and governance, and the Bank has designated a specialized unit to handle the collection and disclosure of information that is required by regulations to be reported or announced. The Bank has also adopted the "Bank of Taiwan News Issuance and News Liaison Guidelines," and has designated a spokesperson for handling all external information disclosure.
(3) Does the Bank, acting within the prescribed period of time after the end of each fiscal year, comply with the applicable provisions of the Banking Act and the Securities and Exchange Act by announcing and filing an annual financial report? And does it publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V		(3) As a publicly held bank, BOT announces and files its financial reports in accordance with the provisions of the "Regulations Governing the Applicable Scope of Special Circumstances for the Public Announcement and Filing of Financial Reports and Operational Status Reports by Public Companies."

		Implementation Status				
Matters Evaluated	Υ	N	Summary Description			
6. Does the Bank have other important information that would contribute to a better understanding of the Bank's corporate governance operations (e.g., including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing liability insurance for Directors and Supervisors, and donations to political parties, stakeholders, and charity organizations)?			1. Employee rights, employee wellbeing: The Bank is a government-run financial enterprise, and handles employee rights in accordance with the Labor Standards Act and relevant regulations of the Competent Authority. There are systems in place and they are implemented for such matters as employee transfers, assessments, benefits, and retirement care. 2. Investor relations, stakeholder interests: The Bank has appointed a chief corporate governance officer since May of 2019, and in July of 2019 amended the "BOT Corporate Governance Best-Practices Principles." In addition, the Bank issues the "BOT Corporate Governance Execution Status and Deviations from Corporate Governance Best-Practice Principles for Banks' each quarter, and makes it available on its website to facilitate access by the public; the website also has a special area for stakeholders. 3. Advanced study by directors and supervisors: The Bank provides information about advanced study courses on specialized legal, financial, and accounting knowledge related to corporate governance to directors at irregular times, and arranges for their participation in a variety of courses. 4. Risk management policies and risk evaluation standards: (1) The Bank has established a Risk Management Committee, set out risk policies and conducted various types of risk monitoring. The Bank has also set up an independent dedicated risk control unit, and carries out matters such as risk identification and assessment, and submits regular reports on the status of implementation to the Risk Management Committee. (2) The Bank has worked out a risk management policy, as well as standards and regulations including regulations governing the establishment of a Risk Management policy, as well as standards and regulations including regulations governing risk evaluation and management, criteria for market risk management, criteria for rational risk quota management, criteria for liquidity risk management for a Rill Understanding of Customer Rights for the disclosure of risk management			

		Implementation Status			
Matters Evaluated	Υ	N	Summary Description		
			(4) To govern the handling of exercise by customers of rights set out in the "Personal Data Protection Act," the Bank has adopted a set of "Operational Guidelines Regarding Exercise by Customers of Rights Under the Personal Data Protection Act."		
			(5) In 2020 the Bank convened the "Task Force for Fair Treatment of Consumers." It also issued a report on the status of implementation of Principles for Fair Treatment of Consumers, whose contents included handling of customer complaints and disputes, financial inclusion, consumer- friendly financial services, business innovation, amendment of regulations, and education and training.		
			6. Recusal of directors from cases in which they are parties of material interest: The Bank's corporate charter and its rules for discussion of affairs at meetings of the Board of Directors both require directors who are parties of material interest to a proposal to recuse themselves from discussion or voting if this status could be harmful to the interests of the company.		
			7. Purchase of Liability Insurance for Directors and Supervisors: The Bank has not purchased liability insurance for its Directors. The Bank has set up an Audit Committee to take over the functions of the supervisors.		
			8. Donations to Political Parties, Stakeholders, and Charity Organizations:		
			The Bank provides charity donations in accordance with the "Rules for the Handling of Funding (Donations) from the Bank of Taiwan to Private Organizations."		

4. Information on Members of the Remuneration Committee, and Its Operation

The Bank has not established a Remuneration Committee.



5. Social Responsibility Execution Status and Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Mattera Evolucted		Implementation Status				
Matters Evaluated	Υ	N	Summary Description			
Does the Bank conduct risk assessments and risk management policies or strategies related to environmental, social, and corporate governance issues in accordance with the materiality principle? Has it adopted related risk assessments and risk management policies or strategies?	V		The Bank identifies and analyzes material issues based on the principles of stakeholder inclusiveness, sustainability context, materiality, and completeness. The Bank also collects information on issues of concern to peer institutions and various types of stakeholders, and after comprehensive review of this information the Bank identifies operating performance and other material issues of concern, which various units at the head office evaluate in order to set an order of priority. On the basis thereof, units at the head office and at branches adopt management strategies for maintaining good communications, then they review how implementation of the strategies has benefited the Bank.			
2. Does the Bank have a unit (dedicated or otherwise) that is charged with responsibility for promoting corporate social responsibility? Does the Board of Directors specifically authorize senior management to handle corporate social responsibility matters, and does senior management report back to the Board of Directors on its handling of such matters?	V		The Bank has established a Committee for Corporate Sustainability and stipulated related regulations in order to strengthen the fulfillment of its corporate social responsibility. The chairman of the Bank is the Committee chairman, with the presidents of Taiwan Financial Holding Co., Ltd. and the Bank serving as vice-chairmen and the Department of Planning handling the secretarial duties. A number of executive subcommittees have been established under the Committee, such as those for environmental sustainability, social engagement, corporate governance, care for employees, and customer interests. The Bank will incorporate sustainable development and social responsibility into its operational strategies for its core financial businesses, and relevant regulations have already been adopted by the Board of Managing Directors.			
3. Environmental Issues						
(1) Has the Bank established an appropriate environmental management system that is suited to the characteristics of the banking industry?	V		(1) The Bank has established an Environmental Management System for the environmental beautification and maintenance of cleanliness.			
(2) Does the Bank make efforts to enhance the efficiency of resource utilization, and use recyclable materials with a low environmental burden?	V		(2) The Bank stepped up efforts to conduct green purchasing operations in order to implement the Government Procurement Act and the Resource Recycling Act. In 2020, the Bank conducted green purchasing for 98.17% of designated items, surpassing the year's target figure of 95%, so that the evaluation grade was "outstanding."			
(3) Does the Bank evaluate the impact of climate change upon its current and future potential risks and opportunities? Has it adopted climate change response measures?	V		(3) When the Bank adopted a set of rules governing enterprise credit ratings in December 2010, it had already incorporated concepts from the "Equator Principles" into its scoring form, which includes "Implementation of Corporate Social Responsibility" as a scoring criterion. The Bank assesses CSR performance on the basis of the following three principles: "Implementation of Corporate Governance," "Environmental Sustainability," and "Preservation of the Public Good." Based on the resulting scores, the Bank prepares credit ratings that serve as reference for credit investigation and review work as well as interest rate pricing.			
(4) Does the Bank compile statistics on greenhouse gas emissions, water consumption, and total weight of waste over the past two years? Has it adopted policies on energy conservation and carbon reduction, reduction of greenhouse gas emissions, reduction of water consumption, and management of other types of waste?	V		(4) The Bank, in coordination with government policies, set targets for saving energy, with the target being no increase in energy use in 2020 as compared to 2015. In 2020, the Bank effectively reduced the use of energy by 8.68%, and will continue to promote the government's energy-saving and carbon-reduction programs in order to fulfill its corporate social responsibility.			

Matters Evaluated		Implementation Status				
iviallers Evalualeu	Υ	N	Summary Description			
4. Community Issues						
(1) Has the Bank adopted policies and procedures in accordance with applicable legislation and international human rights conventions?	V		(1) In order to safeguard the rights and interests of both management and labor, the Bank has adopted work rules in compliance with the Labor Standards Act and other legislation governing civil servants, and has signed a collective agreement with the Bank of Taiwan Labor Union.			
(2) Has the Bank adopted and implemented reasonable employee benefit measures (including salary and compensation, leave, and other benefits)? Does it appropriately reflect operating performance or results in employees' salary and compensation?	V		(2) The Bank's employee salaries are handled in accordance with the "Directions for Management of Personnel Expenditures and Salaries at Enterprises and Institutes Run by the Ministry of Finance" and the "Rules Governing Salary Adjustments for Employees of Government-Owned Banks Under the Ministry of Finance." In addition, the Bank has adopted rules governing the issuance of performance bonuses, which ensure that operating results will be appropriately reflected in employees' salary and compensation.			
(3) Does the Bank provide a safe and healthy working environment for its employees, and offer them regular safety and health education?	V		(3) The Bank provides its employees with a safe and healthy work environment, and offers regular safety and health education to employees. This includes the "general safety and health education and training" offered to new, incoming employees and the "on-the-job safety and health education and training" offered to existing employees, emergency personnel, occupational safety and health administrators, and occupational safety and health personnel.			
(4) Has the Bank established a career skills development program for its employees?	V		(4) The Bank adopts an employee training program each year, which includes courses and lectures focusing on various professional and managerial topics. In addition, the Bank also dispatches employees to attend external professional trainings.			
(5) In its marketing and labeling of products and services, does the Bank comply with applicable legislation and international standards regarding customer health, safety, and privacy? Has the Bank adopted policies regarding the protection of consumer interests? Has it established	V		(5) A. The Bank has adopted various measures to implement consumer protection including "Policies and Strategies Regarding the Principles for Fair Treatment of Consumers," the "Manual of Customer Rights for the Sale of Financial Products," and the "Manual of Customer Rights for the Conduct of Wealth Management Business."			
complaint procedures?			B. The Bank has adopted the "Operational Guidelines for the Handling of Customer Complaints and Disputes," "Guidelines for the Handling of Customer Disputes Related to the Sale of Financial Products," and the "Guidelines for the Handling of Wealth Management Customer Disputes," in order to appropriately handle customer complaints.			
			C. The Bank has adopted a set of "Operational Guidelines Regarding Exercise by Customers of Rights Under the Personal Data Protection Act," which governs the procedures to be followed by the various BOT business units when customers exercise their rights as set out in Article 3 of the Personal Data Protection Act.			
			D. Before designing, updating, and marketing its products, and before adopting standard form contracts, the Bank first arranges for its Department of Compliance to conduct a compliance review and a consumer protection self-evaluation to ensure compliance with the applicable provisions of the Consumer Protection Act.			



Matters Evaluated -		Implementation Status			
Matters Evaluated	Υ	N	Summary Description		
(6) Has the Bank adopted supplier management policies that require suppliers to comply with legal requirements governing such matters as environmental protection, occupational safety and health, and labor rights? What is the state of implementation of these policies?	V		(6) The Bank's supplier management is always handled on the basis of the Government Procurement Act and other laws and regulations related to environmental protection, occupational safety and health, and labor rights. In the Bank's procurement contracts it is clearly stipulated that "in cases of serious violation of laws or regulations related to environmental protection or occupational safety and health," the Bank has the right to terminate the contract or to refuse to implement the contract with the firm.		
5. Does the Bank follow internationally recognized standards or guidelines when preparing and publishing reports (such as its corporate social responsibility report) that disclose non-financial information of the company? Does the Bank obtain a third-party verification institution's confirmation or guarantee for such reports?	V	V	The Bank has, since 2012, been preparing its corporate social responsibility (CSR) reports on the basis of the guidelines set by the Global Reporting Initiative (GRI), periodically disclosing non-financial performance and operational outcomes. Financial data in the CSR reports is based on consolidated financial reports audited and attested by an independent certified public accountant, but the reports themselves do not receive any verification or confirmation by a third-party certification organization.		

The Bank is not a TWSE/GTSM listed company, and has not compiled its own corporate social responsibility rules.

Best Practice Principles for TWSE/GTSM Listed Companies," please explain their operation and their divergences:

- 7. Other important information that would aid in understanding the operation of corporate social responsibility:
 - (1) As a 100% government-owned bank, the Bank makes every effort to attain the budget targets set by the government, and coordinates with the government's major construction plans and participates actively in the financing of infrastructure projects as well as large private investment projects in order to promote overall national economic development.
 - (2) The Bank, in addition to continuing to organize charitable activities to show concern for disadvantaged groups, also coordinates with government policy in offering education loans, thereby assisting students to get an education.
 - (3) The "Bank of Taiwan Quarterly" received the award for first place for the second consecutive year in the category of publications on economics for the "2020 Taiwan Academic Resources Impact" Periodicals Long-Term Diffusion Award presented by the National Central Library.
 - (4) The Bank carried out the following social benefit activities in 2020:
 - A. On May 29, 2020, the Bank held the awards ceremony for the "2019 Bank of Taiwan Awards for Economic and Financial Research" and announced the commencement of solicitation of papers for the "2020 Bank of Taiwan Awards for Economic and Financial Research." By soliciting papers, the Bank is seeking to initiate a new era for economic and financial research in Taiwan, and at the same time cultivate financial and economic research talent with potential.
 - B. The Bank again organized the "Youth Painting Division of the 2020 Bank of Taiwan Arts Festival" to solicit paintings. An awards ceremony was held on August 17, 2020, and the Bank organized a nationwide touring exhibition for the winning entries.
 - C. The Bank once again organized the "Photography Division of the 2020 Bank of Taiwan Arts Festival." An awards ceremony was held on November 9, 2020, and the winning entries were exhibited at the awards ceremony venue.
 - D. The Bank held three blood drives in 2020 at the Department of Business at Bank headquarters. During each blood drive, both senior management and rank-and-file employees were encouraged to give blood.
 - E. The Bank, working with an archery club for the disabled, and a community service dedicated to the needs of persons with disabilities in the Xinzhuang District of New Taipei City, held an activity to give away zongzi (rice balls wrapped in bamboo leaves) for Dragon Boat Festival on June 19, 2020.
 - F. On June 30, 2020 the Bank donated money to the "2020 Pandemic Prevention Supplies and Necessities Donation Program" of Heartlight, a center in Taoyuan City for persons with mental disabilities, to fund the purchase of disease control supplies, equipment, and nutrients.

Matters Evaluated	Implementation Status				
	Υ	N	Summary Description		

- G. On June 30, 2020, the Bank donated money to the "Bedding and Household Goods Donation Program" of the Cham Tai Education and Nursing Institute of Tainan City, to help the institution upgrade the quality of its care services and improve the living environment.
- H. On July 29-30, 2020, the Bank sponsored the "Taiwan Future" economic forum organized by Business Today magazine. At the forum, leaders from various fields, experts and scholars, and government officials discussed the latest international issues including global economic trends in the post-pandemic era. The event drew public attention to the issue of post-pandemic economic development.
- I. The Bank purchased 300 cases of domestically produced bananas directly from farmers. In addition, on October 15, 2020 the Bank summoned senior management to give away bananas to citizens in the main lobby of the Bank headquarters, and called on people to buy bananas, eat bananas, assist banana farmers, and support local agricultural development in Taiwan.
- J. On November 22, 2020, the Bank sponsored the 27th Taiwan Indigenous Baseball Development Association Care Cup invitational tournament, taking practical action to convey the Bank's support for athletes in remote areas and for the sport of baseball.
- K. On November 25, 2020, the Bank joined hands with the Taiwan Fund for Children and Families (TFCF) to hold charitable activities at the TFCF Development School in New Taipei City. Besides the donation of products for daily use, events were organized, including balloon angels, DIY classes, and singing.



6. Status of the Bank's Ethical Management and Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Metters Evelveted		Implementation Status				
Matters Evaluated	Υ	N	Summary Description			
Establishment of Ethical Management Policies and Programs						
(1) Does the Bank have a Board-approved ethical management policy? Is an ethical management policy clearly expressed in the Bank's charter and public documents? Are its Board of Directors and top management committed to vigorous implementation of that policy?			(1) The Bank holds to an attitude of sincerity in guaranteeing the principle of putting customer rights first and providing professional services that meet the needs of its customers, and puts "Integrity" at the head of the list of its operating principles.			
(2) Does the Bank have a mechanism for assessing the risk of unethical behavior? Does the Bank periodically analyze and assess business activities that pose a relatively high risk of unethical behavior? Has it adopted a program for the prevention of unethical behavior, and does the program include the preventive measures set out in Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?			 (2) A. The Bank conducts all matters in compliance with the "Civil Servant Work Act," abides by civil ethics rules, carries out all required registrations, and in order to prevent unethical conduct, the Bank has adopted a rule explicitly requiring that important financial transactions with interested parties must be reported to the Board of Directors for discussion and approval. B. Acting in accordance with the "Ethics Guidelines for Civil Servants" and the "Directions for the Registration of Incidents Involving Lobbying of the Ministry of Finance or its Agencies or Institutions," The Bank sets out prescribed procedures that employees must observe when they experience an incident with ethical implications—e.g. when someone approaches them with a request, seeks to influence them, gives a gift, or treats them to a meal or drinks. 			
(3) Has the Bank adopted a program for the prevention of unethical behavior? Does the program expressly set out operating procedures and a code of conduct, provide for punishment of unethical behavior, and establish a system for lodging complaints? Is the program being properly implemented?	V		(3) All purchasing transactions, donations, and sponsorships must be reported to the authorization level for review and approval, so compliance with applicable legislation and internal operating procedures is assured.			
2. Implementation of Ethical Management						
(1) Does the Bank evaluate the ethics track record of parties with which it does business? Do the contracts that it enters into with such parties expressly set out provisions governing ethical conduct?	V		(1) Before carrying out a public procurement operation, the Bank always visits the website of the Ministry of Economic Affairs to check on the current status of the counterparty, or asks the counterparty to provide tax returns. In addition, purchasing contracts include penal provisions that require the supplier to provide compensation if it acts in breach of contract.			
(2) Does the Bank have a dedicated unit that reports to the Board of Directors and is responsible for promoting ethical business practices? If so, does this unit report periodically (at least once per year) to the Board of Directors on the status of its work to oversee implementation of the ethical management policy and the program for the prevention of unethical behavior?		V	(2) The Bank has not yet established a dedicated unit to promote ethical business practices that reports to the Board of Directors. However, the Bank's operating principles are "integrity, care, efficiency, and prudence" and these are implemented in all operations.			

			Implementation Status
Matters Evaluated	Υ	N	Summary Description
(3) Has the Bank adopted a conflict-of-interest policy, and provided an appropriate complaint channel? Is the policy being properly implemented?	٧		(3) The Bank's "Charter" and "Rules of Procedure for Board of Directors Meetings" clearly stipulate rules for the recusal of Directors.
(4) Has the Bank established effective accounting and internal control systems designed to achieve ethical management? Has its internal audit unit, based on the results of its assessment of the risk of unethical behavior, adopted a related audit plan? Based on such audit plan, does the Bank audit its compliance with the program for the prevention of unethical behavior, or retain a certified public accountant to carry out audits?	V		 (4) A. The Bank has adopted an accounting system in accordance with legal requirements and reported it to the Ministry of Finance for forwarding to the Executive Yuan for approval. The Bank has also contracted with KPMG Certified Public Accountants to audit its financial report and its internal control systems. B. In order to establish a fully adequate internal audit system, the Bank adopts an annual audit plan that complies with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and is based on the risk assessment results generated by the Bank's risk-based internal audit system.
(5) Does the Bank periodically hold in-house or out- of-house education and training sessions that focus on business ethics?	V		 (5) A. In 2020, the Bank held in-house training courses for Ethics Guidelines and discipline rules with a total of 545 trainees participating. B. The Bank held an "Ethics Workshop" in 2020, which was attended by 27 participants.
3. The Operation of Whistleblower System			
(1) Has the Bank established a whistleblower system that provides for whistleblower incentives? Is there a convenient channel for whistleblowers to raise their concerns? Does the Bank assign appropriate personnel who are exclusively tasked with responsibility for interfacing with the persons against whom whistleblowers lodge complaints?	V		 A. The Bank shows on its website how to lodge whistleblower complaints via telephone, fax, post box, and e-mail. A dedicated unit assigns personnel to process whistleblower complaints. B. The Bank has adopted the "Whistleblower Program Rules," and has established various whistleblower channels in accordance with regulations. Moreover, the Department of Compliance serves as a window for accepting cases raised by whistleblowers.
(2) Has the Bank adopted a standard operating procedure for investigations launched in response to whistleblower complaints? For completed investigations, has the Bank prescribed required follow-up measures and a confidentiality regime?	V		 (2) A. The Bank's ethics unit processes whistleblower complaints in accordance with the "Procedures for Handling Whistleblower Complaints and Providing Whistleblower Incentives and Protections (Including Confidentiality)" issued by the Ministry of Justice. B. The Bank has adopted a set of "Whistleblower Program Standard Operating Procedures," which set out procedures for each stage, including accepting, investigating, and deliberation of cases raised by whistleblowers. Moreover, in accordance with regulations Bank personnel have a duty to preserve confidentiality regarding relevant information they may learn during the process of handling cases raised by whistleblowers and the identity of the whistleblower.



Mallore Foodbashed		Implementation Status				
Matters Evaluated	Υ	N	Summary Description			
(3) Has the Bank adopted measures to protect whistleblowers from retaliation?	V		(3) Article 13 of the BOT "Whistleblower Program Rules" provides that the Bank shall not, on account of a whistleblower case, fire or demote a whistleblower, reduce his/her pay, harm the interests to which he/she is entitled by law, contract, or custom, or take any action that is otherwise prejudicial to the whistleblower.			
4. Strengthening of Information Disclosure Does the Bank disclose the content of its ethical best practice standards, and the state of their implementation, on its website and the Market Observation Post System (MOPS) website?	V		The Bank discloses the state of its business ethics work on its website, the Market Observation Post System (MOPS) website, and its annual reports.			
5. Please describe any differences in operations and rules of ethical management regulations that the Bank has established in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies": The Bank is not a TWSE/GTSM listed company, so this item is not applicable.						
review and revision of ethical management regulation	6. Other important information that would aid in understanding the Bank's ethical management operations (such as the Bank's review and revision of ethical management regulations): The Corporate Social Responsibility Report prepared by the Bank includes information related to ethical management.					

7. Corporate Governance Guidelines and Regulations

Please refer to the Bank's website at https://www.bot.com.tw, and click on "Corporate Governance."

8. Internal Control System

(1) Internal Control Statement

Please refer to page 51 and 52 of the Chinese annual report.

(2) Independent Auditors' Report

Please refer to page 53 of the Chinese annual report.

9. Major Resolutions of Board Meetings

Date	Session	Major Resolutions
Jan. 10, 2020	the 15th meeting of the 6th Board of Directors	The Bank's 2021 Business Plan (including the subsidiaries) was passed. The proposal for the position of BOT Chief Corporate Governance Officer (currently assumed concurrently by Chen, Han-Kuo, Vice President and Division Manager of Legal Affairs Center, Dept. of Planning) to be assumed in a concurrent capacity by BOT Senior Executive Vice President Pan, Rong-Yaw, was passed.
Jan. 16, 2020	the 73rd meeting of the 6th Board of Managing Directors	The "2019 Table of Funding (Donations) from the Bank of Taiwan to Private Organizations and How the Funds Have Been Used " was reported.
Jan. 31, 2020	the 74th meeting of the 6th Board of Managing Directors	 It was reported that Mr. Chen, Chuan-Hsi stepped down from his position as a BOT Director on Jan. 16, 2020. The "Bank of Taiwan 2020–2024 Information Operations Development Blueprint" was reported. The Bank's donation of NT\$178,328,865 in 2019 to the "Small and Medium Enterprise Credit Guarantee Fund of Taiwan;" and the benefits yielded by the donation was reported.
Feb. 21, 2020	the 16th meeting of the 6th Board of Directors	 It was reported that Ms. Lu, Chiou-Shiang was relieved of her position on the Board effective Feb. 20, 2020, and was replaced by Huang, Shu-Juan, Director of Department of Special Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, who would serve from Feb. 20, 2020 to Aug. 2, 2021. The Bank's 2019 Statement of Internal Control was passed. The Bank's 2019 Statement of Internal Controls for AML/CFT Compliance was passed. The "Bank of Taiwan 4-Year Plan for Internal Capital Adequacy Assessments and Risk Asset Controls" was passed.
Mar. 20, 2020	the 17th meeting of the 6th Board of Directors	 The Independent Assessment Report on the 2019 Test of the Bank of Taiwan AML/CFT System was presented. The audited 2019 Individual and Consolidated Statements, Business Report, Statement of Earnings Appropriation, and List of Major Properties were passed. The audited 2019 Internal Control System Recommendations were passed. The "Form for Assessment of Implementation by Financial Institution of the 'Principles for Fair Treatment of Consumers' in 2019" was passed. The Bank of Taiwan Information Security Statement for 2019 was passed.
Mar. 27, 2020	the 82nd meeting of the 6th Board of Managing Directors	The "2019 Special Audit Report on the Bank of Taiwan's Personal Data Protection Regime (CPA Assurance Report)" was presented.

Date	Session	Major Resolutions
May 8, 2020	the 18th meeting of the 6th Board of Directors	 The "BOT 2019 Internal Self-Assessment Report on Internal Audit Quality" and "Corrective Action Plan Based on BOT 2019 Internal Self-Assessment of Internal Audit Quality" were presented. The "Bank of Taiwan 2019 Bank-wide ML/FT Risk Assessment" and "Bank of Taiwan 2020 AML/CFT Regime Improvement Plan" were reported. The Bank's "2020 Audit Plan Supplementary Report" was approved. The "Bank of Taiwan Plan to Strengthen Anti-Money Laundering Capabilities" was approved. The "Matters to be Reported Concerning Compliance by the Bank of Taiwan with Supervisory Review Principles," for filing with the Financial Supervisory Commission was passed.
May 15, 2020	the 89th meeting of the 6th Board of Managing Directors	The Proposal to comply with the provisions of the UK's "Modern Slavery Act 2015" by instructing the Bank's London Branch to issue a Slavery and Human Trafficking Statement for year ended Dec. 31, 2019 was passed. This Statement would confirm that the London Branch and its supply chain had not been involved in any cases of human trafficking or slavery in 2019.
May 22, 2020	the 90th meeting of the 6th Board of Managing Directors	The "Regulations for Local Hiring of Internal Auditing Personnel by Overseas Branches of the Bank of Taiwan" was approved.
May 29, 2020	the 6th interim meeting of the 6th Board of Directors	 It was reported that Taiwan Financial Holding Co., Ltd. appointed Chang, Wen-Hsi, Director-General, Fiscal Information Agency, Ministry of Finance, as a Director on the Bank's 6th Board of Directors serving from May 28, 2020 to Aug. 2, 2021. The proposal to extend the term of office of Bank President Chiou, Ye-Chin to Apr. 29, 2021 was approved, and sent to the Executive Yuan for its approval.
Jun. 5, 2020	the 92nd meeting of the 6th Board of Managing Directors	It was reported that with respect to six plots of land to be used for parking lots owned by the Bank (including one at Xinfu Section, Subsection 1, Lot No. 25-7 in Chiayi City), for which approval was previously received from the Board of Managing Directors to turn these over to the Chiayi City government, that government, acting on the basis of the "Act for Promotion of Private Participation in Infrastructure Projects," will use the superficies approach to recruit businesses to develop the land. A letter was drafted to the office for the Promotion of Private Participation of the Ministry of Finance to the effect that the Bank will continue to coordinate with the promotion of development matters.
Jun. 12, 2020	the 93rd meeting of the 6th Board of Managing Directors	It was reported that the Small and Medium Enterprise Administration of the Ministry of Economic Affairs, in order to handle voucher redemption matters for the "Triple Stimulus Vouchers" plan, was soliciting financial institutions to serve as administrator banks and voucher redemption banks. In order to coordinate with the government's stimulus policies, the Bank agreed to participate in the relevant service procurement tender.
Jul. 17, 2020	the 97th meeting of the 6th Board of Managing Directors	The demolition of the Bank's Matsu Branch building was approved to make way for construction of a new building on the same site. This was because the structure was old and the volume of chloride ions exceeded standards, and also there were concerns following inspection that the building was not sufficiently earthquake-resistant.

Date	Session	Major Resolutions
Aug. 7, 2020	the 100th meeting of the 6th Board of Managing Directors	 The Bank's audited net income statement, audited statement on appropriation of profit or coverage of loss, cash flow statement based on audited profit/loss figures, and balance sheet (all based on audited final accounts) were passed. The retirement on Aug. 17, 2020 of BOT Senior Executive Vice President & Chief Compliance Officer Lin, Su-Lan was passed. The government, in order to promote major economic development policies like green energy, instructed the National Development Council promote a national financing guarantee mechanism and plan for banks to participate in providing some of the funding for the initial fund. The Bank, in order to coordinate with this government policy, planned to donate to the guarantee mechanism and support the planned methods for banks to provide funding, and issued a "Letter of Intent to Participate in Funding of the Government Financing Guarantee Mechanism."
Aug. 14, 2020	the 20th meeting of the 6th Board of Directors	 The audited individual and consolidated statements for first half of 2020 were passed. Approval was given to waive the non-compete clause that would have otherwise prohibited Taiwan Financial Holdings Senior Executive Vice President and acting EVP and GM of the Bank's Department of Economic Research Ou, Shing-Shiang from serving as a director for Hua Nan Bank. The corrective action plan adopted in response to the "2019 Supervisory Report on the BOT Shanghai Branch" issued by the Shanghai Office of the China Banking and Insurance Regulatory Commission was passed. Approval was given for the retirement of the Bank's Chief Compliance Officer and concurrently Chief Compliance Officer for Taiwan Financial Holding Co., Ltd. Lin, Su-Lan on Aug. 17, 2020, and it was decided that until the appointment of someone to those open positions they would be temporarily filled for three months by Chen, Hui-Ping, director of the Department of Compliance.
Aug. 21, 2020	the 102nd meeting of the 6th Board of Managing Directors	The "Bank of Taiwan 2020–2024 Information Operations Development Blueprint" and "Summary Table on the Status of Implementation in 2020 of the Bank of Taiwan Information Operations Development Blueprint" were submitted.
Aug. 28, 2020	the 7th interim meeting of the 6th Board of Directors	Approval was given for the Bank to send a letter to the Ministry of Finance, to be forwarded to the Executive Yuan for approval, for Chen, Hui-Ping, director of the Bank's Department of Compliance, to be promoted to the position of Chief Compliance Officer of Taiwan Financial Holding Co., Ltd. and to concurrently serve as the Bank's Chief Compliance Officer.
710g. 20, 2020	the 103rd meeting of the 6th Board of Managing Directors	It was reported that Ms. Ho, Yi-Cheng stepped down from her position as a BOT Director on Sep. 1, 2020.
Sep. 11, 2020	the 105th meeting of the 6th Board of Managing Directors	 The rules governing the establishment of the Bank of Taiwan Committee for Corporate Sustainability were approved. Approval was given for 19 plots of land owned by the Bank (including one at Dalong Section, Subsection 1, Lot 265-2 in the Datong District of Taipei City) to participate in the government-led publicly-managed urban renewal plan for the area to the west of the Yuanshan MRT Station in Taipei. It was agreed to use reconstruction and the rights transfer method to participate in urban renewal and to be allocated land for one entire commercial office building in Area A on the south side following renewal.

Date	Session	Major Resolutions
Sep. 25, 2020	the 21st meeting of the 6th Board of Directors	Approval was given for a raise of 3% for employees in 2021 on the basis of the "Rules Governing Salary Adjustments for Employees of Government-Owned Banks Under the Ministry of Finance."
Oct. 8, 2020	the 8th interim meeting of the 6th Board of Directors	Approval was given for a letter to be sent to the Ministry of Finance, from there to be forwarded to the Executive Yuan for approval, for Taiwan Financial Holding Co., Ltd. (TFH) Senior Executive Vice President Kang, Cheng-Chuan to be transferred to the position of Senior Executive Vice President at the Bank, and for Wu, Mu-Ying, General Manager of the Bank's Department of Trusts, to be promoted to fill the opening for Senior Executive Vice President at TFH.
Nov. 2, 2020	the 9th interim meeting of the 6th Board of Directors	 It was reported that because Ms. Chiou, Ye-Chin, who was originally appointed a director of the Bank by Taiwan Financial Holding Co., Ltd. (TFH), was appointed to a new position, Mr. Hsu, Chih-Wen would become a director of the Bank representing TFH, with a term of office to end on Aug. 2, 2021. Director Hsu, Chih-Wen was selected to be a managing director of the Bank. Approval was given for Bank Senior Executive Vice President Hsu, Chih-Wen to be promoted to the position of Bank president, and for his term of office to be extended for one year beyond his 65th birthday. Until approval is received from the Financial Supervisory Commission, Mr. Hsu will serve only as acting president.
Nov. 6, 2020	the 22nd meeting of the 6th Board of Directors	 The "2020 Report on Risk Assessment Results for Audited Units" and "The Audit Plan of 2021 by the Department of Auditing, Board of Directors" were passed. The Bank's 2021 internal audit work inspection plan (securities firm business) was passed. The "Bank of Taiwan 2021 Compliance/Anti-Money Laundering and Combating the Financing Terrorism Plan" was passed. Approval was given for the Bank's Matsu Branch to relocate to No.258 (first and second floors and B1 floor), Jieshou Village, Nangan Township, Lienchiang County to continue operations. Approval was given to the participation by the Bank in, and provision of Bank funding for, the National Financing Guarantee Mechanism, for which, based on a plan by the National Development Council, the government and financial institutions will jointly provide funding. The purpose of this decision is to coordinate with the government's promotion of major infrastructure programs like green energy and the Forward-looking Infrastructure Development Program.
Nov. 20, 2020	the 114th meeting of the 6th Board of Managing Directors	The application of BOT Senior Executive Vice President Hsu, Chih-Wen to retire on Nov. 19, 2020 was passed.
Nov. 27, 2020	the 115th meeting of the 6th Board of Managing Directors	The filing of the "2020 UK Tax Strategy Declaration" was passed. (Note: The BOT London Branch is required by Her Majesty's Revenue and Customs, the tax authority of the UK government, to file this declaration.)

Date	Session	Major Resolutions
Dec. 11, 2020	the 117th meeting of the 6th Board of Managing Directors	The retirement on Jan. 16, 2021 of BOT Senior Executive Vice President Kang, Cheng-Chuan was passed.
Jan. 8, 2021	the 23rd meeting of the 6th Board of Directors	The Bank's 2022 Business Plan (including subsidiaries) was approved. Approval was given to apply to the Financial Supervisory Commission for permission to provide financial products and services to high-asset customers.
oun. 0, 2021	the 121st meeting of the 6th Board of Managing Directors	The "2020 Table of Funding (Donations) from the Bank of Taiwan to Private Organizations and How the Funds Have Been Used" was reported.
Feb. 19, 2021	the 126th meeting of the 6th Board of Managing Directors	The Bank's donation of NT\$171,352,739 in 2020 to the "Small and Medium Enterprise Credit Guarantee Fund of Taiwan;" and the benefits yielded by the donation was reported.
Feb. 26, 2021	the 24th meeting of the 6th Board of Directors	 The Bank's 2020 Statement of Internal Control was passed. The Bank's 2020 Statement of Internal Controls for AML/CFT Compliance was passed. Approval was given to waive non-compete clause against Bank President and Managing Director Hsu, Chih-Wen, General Manager Chang, Chun-Yuang, and Hsu, Su-Chu.
Mar. 5, 2021	the 128th meeting of the 6th Board of Managing Directors	Approval was given for construction of an office building for the Nanmen Branch.
Mar. 19, 2021	the 25th meeting of the 6th Board of Directors	 The Independent Assessment Report on the 2020 Test of the Bank of Taiwan AML/CFT System was presented. The audited 2020 Individual and Consolidated Statements, Business Report, Statement of Earnings Appropriation, and List of Major Properties were passed. The audited 2020 Internal Control System Recommendations were passed. The 2020 Bank-wide Compliance Risk Assessment was passed. The "Form for Assessment of Implementation by Financial Institution of the 'Principles for Fair Treatment of Consumers' in 2021" was passed. The Bank of Taiwan Information Security Statement for 2020 was passed.

10. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None



11. Resignation or Dismissal of Personnel Related to the Bank

Mar. 31, 2021

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Vice President & Deputy General Manager, Department of Planning & Vice President and Division Manager, Legal Affairs Center, Department of Planning & Chief Corporate Governance Officer	CHEN, HAN-KUO	May 10, 2019	Jan. 9, 2020	Personnel Changes (No need to act concurrently as Chief Corporate Governance Officer)
Senior Executive Vice President	LIN, CHUN-LIANG	Nov. 17, 2017	Jan. 16, 2020	Retirement
Senior Vice President & General Manager, Department of Treasury	YANG, KUEI-YONG	Apr. 16, 2019	Jan. 16, 2020	Retirement
Assistant Vice President & Deputy General Manager, Department of Treasury (Substitute Senior Vice President & General Manager)	WU, YU-HUI	Jan. 16, 2020	Feb. 3, 2020	Personnel Changes (No need to continue in substitute position)
Senior Executive Vice President & Chief Compliance Officer	LIN, SU-LAN	Apr. 29, 2015	Aug. 17, 2020	Applying for Retirement
President	CHIOU, YE-CHIN	Aug. 20, 2018	Oct. 30, 2020	Personnel Changes
Senior Executive Vice President	HSU, CHIH-WEN	Apr. 23, 2018	Nov. 19, 2020	Applied for retirement, and promoted on November 19, 2020 to Bank president.
Senior Executive Vice President	KANG, CHENG-CHUAN	Oct. 12, 2020	Jan. 16, 2021	Retirement

Note: "Personnel related to the Bank" refers to the chairman, president, finance executive, accounting executive, chief internal auditor and chief corporate governance officer.

IV. CPA Information

Name of Accounting Firm	Name of CPA		Period of Audit	Notes
KPMG Certified Public Accountants	Lee, Feng-Hui	Wu, Lin	Jan. 1, 2020 ~ Dec. 31, 2020	

Amount	Auditing Fees	Non-Auditing Fees	Total
Under NT\$ 2,000,000			
NT\$2,000,000 ~ NT\$4,000,000	3,958,000		3,958,000
NT\$4,000,000 ~ NT\$6,000,000			
NT\$6,000,000 ~ NT\$8,000,000		6,090,000	6,090,000
NT\$8,000,000 ~ NT\$10,000,000			
Over NT\$10,000,000			



V. Number of Shares in the Same Reinvested Enterprises Held by the Bank and Its Directors, Supervisors, President, Senior Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Consolidated Shareholding

Consolidated Shareholding Ratios

Dec. 31, 2020

Unit: Share: %

						Unit: Share; %
Reinvested Enterprise (Note)	Investment b	y the Bank	Investment by Directors, Supervisors, President, Senior Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Directly or Indirectly Controlled by the Bank		Consolidated Investment	
	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding
First Financial Holding Co., Ltd.	956,887,491	7.45	363,426,240	2.83	1,320,313,731	10.28
Taiwan Business Bank	1,214,173,562	16.21	175,428	0.00	1,214,348,990	16.21
Cathay Financial Holding Co., Ltd.	65,706,166	0.45	46,764,545	0.32	112,470,711	0.77
Mega Financial Holding Co.	334,951,379	2.46	555,608	0.00	335,506,987	2.46
Taiwan Fire & Marine Insurance Co., Ltd.	64,608,278	17.84	62,000	0.02	64,670,278	17.86
China Development Financial Holding Corporation	238,729,496	1.59	254,297	0.00	238,983,793	1.59
Yuanta Financial Holding Co., Ltd.	252,525,734	2.08	673,943	0.01	253,199,677	2.09
CTBC Financial Holding Co., Ltd.	299,632,426	1.50	72,712,876	0.36	372,345,302	1.86
Taiwan Sugar Corporation	16,658,992	0.30	8,006,499	0.14	24,665,491	0.44
Taiwan Power Company	865,191,972	2.62	148,281,468	0.45	1,013,473,440	3.07
Taiwan Stock Exchange Corporation	75,117,403	10.01	22,508,915	3.00	97,626,318	13.01
Taiwan Chung Hsing Paper Corporation	25,035,822	9.54	0	0.00	25,035,822	9.54
China Trade & Development Corp.	1,250,110	1.91	0	0.00	1,250,110	1.91
China Daily News	62,882	0.14	0	0.00	62,882	0.14
Central Motion Picture Corporation	15,869,677	14.39	0	0.00	15,869,677	14.39
United Taiwan Bank S.A.	146,250	4.99	0	0.00	146,250	4.99

Reinvested Enterprise (Note)	Investment by the Bank		Investment by Directors, Supervisors, President, Senior Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Directly or Indirectly Controlled by the Bank		Consolidated Investment	
	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding
Taipei Forex Inc.	1,400,000	7.06	700,000	3.53	2,100,000	10.59
Taiwan Futures Exchange Corporation	17,862,655	4.85	7,244,486	1.97	25,107,141	6.82
Taiwan Asset Management Corporation	60,000,000	5.68	120,000,000	11.35	180,000,000	17.03
BankPro E-Service Technology Co., Ltd.	450,000	3.33	0	0.00	450,000	3.33
Taiwan Financial Asset Service Corporation	10,000,000	5.88	5,000,000	2.94	15,000,000	8.82
Financial Information Service Co., Ltd.	14,730,950	2.82	6,374,434	1.22	21,105,384	4.04
Financial eSolution Co., Ltd.	1,268,688	5.77	404,936	1.84	1,673,624	7.61
Sunny Asset Management Corporation	15,531	0.26	69,740	1.16	85,271	1.42
International Property & Finance Co., Ltd.	14,658	0.92	0	0.00	14,658	0.92
Taiwan Mobile Payment Co., Ltd.	1,200,000	2.00	600,000	1.00	1,800,000	3.00
Taiwania Capital Management Corporation	1,000,000	0.40	0	0.00	1,000,000	0.40
Taiwan Urban Regeneration & Financial Services Co., Ltd.	2,500,000	5.00	10,000,000	20.00	12,500,000	25.00
Hua Nan Financial Holdings Co., Ltd.	2,729,230,377	21.23	495,206,898	3.85	3,224,437,275	25.08
Tang Eng Iron Works Co., Ltd.	74,802,414	21.37	16,074,512	4.59	90,876,926	25.96
Taiyi Real Estate Management Co., Ltd.	1,500,000	30.00	0	0.00	1,500,000	30.00
BankTaiwan Insurance Brokers Co., Ltd.	2,000,000	100.00	0	0.00	2,000,000	100.00

Note: Investment according to Article 74 of the Banking Act.



Capital Overview

57 I. Capital and Shares

58 II. Issuance of Financial Bonds

62 III. Comments on Implementation of Capital Allocation Plan

Capital Overview

I. Capital and Shares

1. Source of Capital

Month/	Par	Authorized Capital		Paid-in Capital		Remark	
Year	Year Value Shares Amount Shares Amount		Sources of Capital	Others			
Mar. 2021	NT\$10	10.9 billion	NT\$109 billion	10.9 billion	NT\$109 billion	Appropriation from the National Treasury, and a capital increase of NT\$5 billion due to a merger with the Central Trust of China. A capital increase of NT\$25 billion was carried out in 2010, and another NT\$25 billion capital increase (from capital surplus) was carried out in 2014. In 2019, the Bank again carried out a capital increase of NT\$14 billion, using real estate as its capital contribution.	

Note: In 2019, the Bank carried out a capital increase via private placement of NT\$42 billion worth of common shares, using real estate as its capital contribution (i.e. a land-backed capital increase). Each share was issued at a premium price of NT\$30 per share, resulting in an NT\$42 billion private placement, of which NT\$14 billion was booked to share capital and NT\$28 billion was booked to capital surplus.

2. Net Worth, Earnings, and Dividends Per Share

Unit: NT\$; Share

Items	Year	2020	2019
Not Worth Day Chara	Before Distribution	35.15	34.72
Net Worth Per Share	After Distribution	34.96	34.65
Fornings Day Charo	Weighted Average Issued Shares	10,900,000,000	9,875,890,411
Earnings Per Share	Earnings Per Share (After Tax)	1.06	1.15
Dividends Per Share	Cash Dividends	0.20	0.07

Note: Figures for 2019 are approved by the National Audit Office; figures for 2020 are CPA approved.

3. Dividend Policy and Implementation Status

(1) Dividend Policy

The BOT Charter stipulates that if the final annual accounts show a profit, the profit will be distributed as follows:

- A. Payment of the income tax;
- B. Make up of losses for previous years;
- C. Allocation of 30% for legal reserve;
- D. Allocation of 20~40% of the surplus, and allocation of special reserve according to the rule.

Any remaining profits will be distributed, together with undistributed profits from the previous year, in accordance with the relevant laws and regulations.

Until the legal reserve reaches the total amount of capital, the maximum distribution of profits in the form of cash may not exceed 15% of the Bank's paid-in capital.



(2) Current Distribution of Stock Dividends

Following the write-down or offset of losses [re-measurements (losses) of defined benefit plans] through allocation of legal reserve and special reserve from the audited after-tax profit for 2020, the Bank decided to distribute cash dividends totaling NT\$2.13 billion, or NT\$0.20 per share. Under Article 50 of the Audit Act, however, the final determinant of the BOT's profit is the National Audit Office. Since the Bank's 2020 final budget is still under examination by the National Audit Office, the actual amount of cash dividends distributed will be determined after the National Audit Office completes its final examination.

II. Issuance of Financial Bonds

Types of Financial Bonds	Bank of Taiwan's Series 102-1 Unsecured Subordinated Debentures	Bank of Taiwan's Series 103-1 Unsecured Subordinated Debentures	
Date and Serial No. Approved by Authority	Aug. 9, 2013 Letter No. (FSC) Gin-Guan- Ying Kong 10200215390	Aug. 9, 2013 Letter No. (FSC) Gin-Guan-Ying Kong 10200215390	
Issue Date	Dec. 2, 2013	A Issue: Bonds issued on June 25, 2014 B Issue: Bonds issued on June 27, 2014 C Issue: Bonds issued on June 27, 2014	
Par Value	NT\$10 million	NT\$10 million	
Currency	TWD	TWD	
Offering Price	Offered at full face value	Offered at full face value	
Issue Amount	NT\$16 billion	NT\$9 billion	
Interest Rate	The annual rate is a floating rate of the benchmark rate plus 0.15%. The benchmark rate is the Bank's (general) floating interest rate on one-year time deposits.	 A Issue: The annual interest rate is a simple floating rate equal to the benchmark rate plus 0.3%. B Issue: Annual interest rate — Fixed 1.70% simple rate. C Issue: The annual interest rate is a simple floating rate equal to the benchmark rate plus 0.15%. 	
Term	10-year term Maturity date: Dec. 2, 2023	1. 10-year term 2. A Issue: Bonds to mature on June 25, 2024 B Issue: Bonds to mature on June 27, 2024 C Issue: Bonds to mature on June 27, 2024	
Mortgage Priority	Subordinate to all BOT depositors and other ordinary creditors	Subordinate to all BOT depositors and other ordinary creditors	
Guarantor	None	None	

Types of Financial Bonds	Bank of Taiwan's Series 102-1 Unsecured Subordinated Debentures	Bank of Taiwan's Series 103-1 Unsecured Subordinated Debentures	
Trustee	None	None	
Underwriting Organization	None	None	
Verification Lawyer	None	None	
CPA-Auditor of the Financial Report	None	None	
Verification Financial Institution	None	None	
Settlement Method	Annual retirement of medium- and long- term loans, or rolled over through the issuance of new bonds	Annual retirement of medium- and long-term loans, or rolled over through the issuance of new bonds	
Unsettled Balance	NT\$16 billion	NT\$9 billion	
Paid-In Capital for the Previous Year	NT\$70 billion	NT\$70 billion	
Net Worth Following its Final Budget for the Previous Year	NT\$247,962,981,000	NT\$244,475,322,000	
Exercise	Normal	Normal	
Conditions and Terms for Redemption or Early Settlement	None	None	
Conversion and Exchange Terms	None	None	
Restriction Terms	Subordinated Debentures	Subordinated Debentures	
Capital Investment Plans	Development of consumer loan and corporate loan	Development of consumer loan and corporate loan	
Ratio of Reported Issue Amount and Balance of Outstanding to the Net Worth Following its Final Budget for the Previous Year (%)	6.45%	10.23%	
Counting in Net Capital (Risk-Based Capital Ratio) and Its Tier	Listed as the Bank's Tier II capital	Listed as the Bank's Tier II capital	
Credit Rating Agency, Rating Date and Rating	Taiwan Ratings: twAA (Nov. 19, 2013) twAA+ (Sep. 30, 2014)	Taiwan Ratings: twAA (June 16, 2014) twAA+ (Sep. 30, 2014)	

Types of Financial Bonds	Bank of Taiwan 107-1 Unsecured USD Callable Bonds
Date and Serial No. Approved by Authority	Aug. 23, 2016 Letter No. (FSC) Gin-Guan-Ying Kong 10500198980 Nov. 21, 2017 Letter No. (FSC) Gin-Guan-Ying Kong 10600272640
Issue Date	 A Issue: Bonds issued on Feb. 26, 2018 B Issue: Bonds issued on Feb. 26, 2018
Par Value	US\$10 million
Currency	USD
Offering Price	Offered at full face value
Issue Amount	US\$620 million
Interest Rate	 A Issue: Coupon rate of 0%, with an implicit interest rate of 4.15% per annum B Issue: Coupon rate of 0%, with an implicit interest rate of 4.07% per annum
Term	30-year term A Issue: Bonds to mature on Feb. 26, 2048 B Issue: Bonds to mature on Feb. 26, 2048
Mortgage Priority	Same priority as that enjoyed by other ordinary unsecured creditors
Guarantor	None
Trustee	None
Underwriting Organization	None
Verification Lawyer	None
CPA-Auditor of the Financial Report	None
Verification Financial Institution	None
Settlement Method	Annual retirement of medium- and long-term loans, or rolled over through the issuance of new bonds
Unsettled Balance	US\$470 million
Paid-In Capital for the Previous Year	NT\$95 billion
Net Worth Following its Final Budget for the Previous Year	NT\$288,442,760,000

Types of Financial Bonds	Bank of Taiwan 107-1 Unsecured USD Callable Bonds
Exercise	Normal
Conditions and Terms for Redemption or Early Settlement	 A Issue: Once two years have passed since the date of a bond issuance, each year on Feb. 26 the Bank can exercise repurchase rights at full price plus interest accrued, including implied interest. (If Feb. 26 falls on a weekend or holiday, the repurchase will be postponed to the next business day but not, in principle, past the end of the month.) B Issue: Once five years have passed since the date of a bond issuance, each year on Feb. 26 the Bank can exercise repurchase rights at full price plus interest accrued, including implied interest. (If Feb. 26 falls on a weekend or holiday, the repurchase will be postponed to the next business day but not, in principle, past the end of the month.)
Conversion and Exchange Terms	None
Restriction Terms	None
Capital Investment Plans	 Provide for the medium- and long-term funding needs of the Bank's overseas branches. Fund the medium- and long-term corporate loans (both domestic and overseas syndicated loans). Replace some of the Bank's borrowings made through the money market and through bond repo transactions.
Ratio of Reported Issue Amount and Balance of Outstanding to the Net Worth Following its Final Budget for the Previous Year (%)	13.24%
Counting in Net Capital (Risk-Based Capital Ratio) and Its Tier	No
Credit Rating Agency, Rating Date and Rating	None



III. Comments on Implementation of Capital Allocation Plan

Year	2016	2017
Description of Plan	In order to provide for its medium- and long-term credit capital needs and funding needs of its overseas branches, the Bank filed a debt issue plan with the competent authority, which approved the plan on August 23, 2016 [per Aug. 23, 2016 Letter No. (FSC) Gin-Guan-Ying Kong 10500198980]. Under the plan, BOT could issue US\$1 billion (or other foreign currencies or New Taiwan Dollar of equivalent value) in revolving debt.	To support implementation of the New Southbound Policy, the Bank will actively seek to open additional overseas business locations while building up its international finance operations in order to meet the medium- and long-term foreign exchange needs as well as working capital needs of its offshore banking business. With these goals in mind, the Bank filed a debt issue plan with the competent authority, which approved the plan on November 21, 2017 [per Nov. 21, 2017 Letter No. (FSC) Gin-Guan-Ying Kong 10600272640]. Under the plan, BOT could issue US\$500 million (or other foreign currencies or New Taiwan Dollar of equivalent value) in revolving debt.
Status of Implementation	 On April 7, 2017, the Bank issued US\$500 million in its 106-1 Unsecured USD Callable Bonds (A Issue). The debentures have a 30-year term. On April 7, 2017, the Bank issued US\$380 million in its 106-1 Unsecured USD Callable Bonds (B Issue). The debentures have a 30-year term. On February 26, 2018, the Bank issued US\$150 million in its 107-1 Unsecured USD Callable Bonds (A Issue) (US\$120 million of which counted against the US\$1 billion quota approved on Aug. 23, 2016). The debentures have a 30-year term. 	 On February 26, 2018, the Bank issued US\$150 million in its 107-1 Unsecured USD Callable Bonds (A Issue) (US\$30 million of which counted against the US\$500 million quota approved on Nov. 21, 2017). The debentures have a 30-year term. On February 26, 2018, the Bank issued US\$470 million in its 107-1 Unsecured USD Callable Bonds (B Issue). The debentures have a 30-year term.
Date of Announcement on Market Observation Post System	March 29, 2017: Posted bond issue data for Bank of Taiwan's 106-1 Unsecured USD Callable Bonds. February 26, 2018: Posted bond issue data for Bank of Taiwan's 107-1 Unsecured USD Callable Bonds.	February 26, 2018: Posted bond issue data for Bank of Taiwan's 107-1 Unsecured USD Callable Bonds.
Effect of Implementation	BOT raised US\$880 million in 2017 through the issuance of USD Debentures, all of which was used to fund the working capital needs of the Bank's overseas branches. BOT raised US\$120 million in 2018 through the issuance of USD Debentures, all of which was used to meet medium- and long-term credit capital needs, and to fund the working capital needs of the overseas branches.	BOT raised US\$500 million in 2018 through the issuance of USD Debentures, all of which was used to meet medium- and long-term credit capital needs of the overseas business units expansion, and offshore banking business, and to fund the working capital needs of the overseas branches.

Note: In order to provide for its medium- and long-term funding needs, the Bank filed a debt issue plan with the competent authority, which approved the plan on September 6, 2018 [Ref: No. (FSC) Gin-Guan-Ying Kong 10701155740]. Under the plan, BOT is allowed to conduct rolling issuance of debt in the amount of US\$500 million (or the equivalent in New Taiwan Dollars or other foreign currencies).



Operational Highlights

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Operational Highlights

I. Business Activities

1. Main Areas of Business Operations

(1) Deposits

Unit: NT\$ Billion

Year end	end-2020		end-	2019	Amount of	Percent	
Items	Amount	%	Amount	%	increase (decrease)	increase (decrease)	
Demand deposits (including foreign currency deposits)	1,640.9	39.33	1,396.7	35.17	244.2	17.48	
Time deposits (including foreign currency deposits)	2,200.8	52.75	2,264.1	57.00	(63.3)	(2.80)	
Public treasury deposits	330.8	7.92	311.0	7.83	19.8	6.37	
Totals	4,172.5	100	3,971.8	100	200.7	5.05	

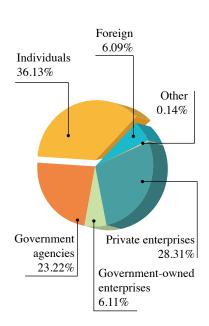
(2) Loans

Unit: NT\$ Billion

	Year end		020	end-2	019	Amount of	Percent
Items		Amount	%	Amount	%	increase (decrease)	increase (decrease)
	Private enterprises: Large	412.8	14.18	402.3	14.80	10.5	2.61
	Private enterprises: Small and medium	411.3	14.13	362.3	13.33	49.0	13.52
Category	Government-owned enterprises	177.8	6.11	235.2	8.65	(57.4)	(24.40)
borrower	Government agencies	675.8	23.22	557.6	20.51	118.2	21.20
	Individuals	1,051.6	36.13	955.9	35.17	95.7	10.01
	Foreign	177.2	6.09	204.4	7.52	(27.2)	(13.31)
	Other	4.2	0.14	0.4	0.02	3.8	950.00
	Short-term loans	787.4	27.05	759.1	27.93	28.3	3.73
Term of loans	Medium-term loans	876.2	30.10	808.2	29.73	68.0	8.41
	Long-term loans	1,247.1	42.85	1,150.8	42.34	96.3	8.37
Totals		2,910.7	100	2,718.1	100	192.6	7.09

Note: According to statistical data from the Refinitiv rankings of Taiwan's syndicated loan market, in 2020 BOT again held first place in the rankings for the categories of "Mandated Lead Arranger" and "Bookrunner."

2020 Structure of Loans



(3) Foreign Exchange and International Banking

Unit: US\$ Billion

Year	20	20	20	19	Amount of increase	Percent increase (decrease)	
Items	Amount	%	Amount	%	(decrease)		
Exports	2.325	0.65	2.666	0.72	(0.341)	(12.79)	
Imports	6.475	1.80	7.035	1.88	(0.560)	(7.96)	
Foreign exchange	351.020	97.55	363.589	97.40	(12.569)	(3.46)	
Totals	359.820	100	373.290	100	(13.470)	(3.61)	

(4) Electronic Banking

Year	2020 (Number of transactions: x10,000)	end-2020 (Number of accounts: x10,000)	end-2019 (Number of accounts: x10,000)	Percent increase in number of accounts
Online banking	1,725	391.20	371.53	5.29
Corporate e-Banking	706	9.20	8.07	14.00
Electronic payment acceptance	1,563	0.67	0.64	4.69

(5) Trust Business

Unit: NT\$ Billion

Year Items	2020	2019	Amount of increase (decrease)	Percent increase (decrease)
Trust business	429.997	431.613	(1.616)	(0.37)
Custodial business	2,630.265	2,256.046	374.219	16.59

Note: (1)The volume of trust business is the average annual balance of trust capital.

(6) Investment

A. Volume of trading and underwriting of domestic bills

Unit: NT\$ Billion

Year end Items	end-2020	end-2019	Amount of increase (decrease)	Percent increase (decrease)
Amount of bills transactions	9,220.856	9,562.649	(341.793)	(3.57)
Amount of bills underwritten	152.837	166.572	(13.735)	(8.25)

B. Balance of investments in bonds and stocks

Unit: NT\$ Billion

Year end Items	end-2020	end-2019	Amount of increase (decrease)	Percent increase (decrease)
Bonds (in both NT\$ and foreign currency)	279.499	248.009	31.490	12.70
Stocks (short-term investments)	10.355	7.016	3.339	47.59
Long-term share investments	72.045	72.117	(0.072)	(0.10)

⁽²⁾ The business volume of the custodial business is the year-end balance.



(7) Business Derived from the Issuance of NT Dollar Currency for the Central Bank

Unit: NT\$ Billion

Year	2020	2019	Amount of increase (decrease)	Percent increase (decrease)
Average amount of currency issued and outstanding for the year	2,530.9	2,337.7	193.2	8.26
Highest amount of currency issued and outstanding during the year (the day before Lunar New Year's Eve)	2,793.2 (2020/1/22)	2,617.5 (2019/2/1)	175.7	6.71
Amount of currency issued and outstanding (end-year)	2,604.4	2,447.2	157.2	6.42

(8) Government Employees Insurance

Unit: NT\$ Billion

Year Item	2020	2019	Amount of increase (decrease)	Percent increase (decrease)
Income from insurance premiums	23.623	23.512	0.111	0.47

(9) Procurement Business

Unit: NT\$ Billion

Year	2020	2019	Amount of increase (decrease)	Percent increase (decrease)
Procurement business	43.442	102.145	(58.703)	(57.47)

(10) Wealth Management Service

Unit: NT\$ Million

Items	2020	Target figure for the year	Target completion rate
Income from processing fees for funds	316	242	130.58
Income from processing fees for insurance	689	948	72.68
Income from processing fees for Gold Passbooks	148	97	152.58
Totals	1,153	1,287	89.59

(11) Precious Metals Business

Unit: NT\$ Billion

Year	2020	2019	Amount of increase (decrease)	Percent increase (decrease)
Precious metals business (business volume)	126.012	139.419	(13.407)	(9.62)
Income from processing fees for handling tariff-rate quotas	0.048	0.046	0.002	4.35
Totals	126.060	139.465	(13.405)	(9.61)

(12) Proportion of income from various kinds of business and changes therein

Unit: NT\$1,000

Year	2020		2019		Amount of	Percent
Items	Amount	%	Amount	%	increase (decrease)	increase (decrease)
Net income from interest	27,487,215	80.52%	26,679,198	63.26%	808,017	3.03%
Net income from processing fees	4,832,319	14.16%	5,174,087	12.27%	(341,768)	(6.61%)
Financial assets or financial liabilities at fair value through profit or loss	56,523,035	165.58%	48,786,406	115.69%	7,736,629	15.86%
Realized profit or loss on financial assets as measured at fair value through other comprehensive income	3,545,905	10.39%	3,580,638	8.49%	(34,733)	(0.97%)
Share of affiliated enterprise and joint investment profit or loss as recognized under the equity method	1,699,269	4.98%	3,394,623	8.05%	(1,695,354)	(49.94%)
Translation gains or losses	(4,406,124)	(12.91%)	(203,841)	(0.48%)	(4,202,283)	2,061.55%
Gain on reversal of impairment loss on assets	(33,992)	(0.10%)	(1,350)	0.00%	(32,642)	2,417.93%
Other non-interest net profit or loss	(55,511,211)	(162.62%)	(45,238,918)	(107.28%)	(10,272,293)	22.71%
Net income	34,136,416	100.00%	42,170,843	100.00%	(8,034,427)	(19.05%)

Note: This table has been compiled based on the consolidated financial report.



2. Operating Plans for 2021

(1) Deposits

The Bank will continue to optimize deposit structure; implement cross-selling mechanism; strengthen risk management; appropriately amend operating rules when necessary; strengthen employee education and training; and reduce operational risks. The Bank will also continue to implement the collective marketing mechanism and upgrade operational effectiveness. The Bank will further continue to actively provide agent bank services to local government agencies at all levels, and will continue to optimize the Bank of Taiwan's Public Treasury website.

(2) Loans

A. Corporate Banking

Loans to private enterprises will be promoted continuously and loan risk controls will be reinforced. The Bank will seek opportunities to lead or participate in syndicated loans at home and abroad; strengthen OBU services and actively expand overseas credit business; promote e-Loan and factoring businesses; actively pursue lending for the purpose of renovating or rebuilding hazardous and dilapidated buildings; and actively participate in the Project for Provision of Special Loans and Credit Guarantees to assist in the innovation and development of small and medium enterprises. In support of the government's "5+2 Industrial Innovation Program," the Bank will actively undertake loans to industrial firms to fund their development. To coordinate with the government's policy of encouraging Taiwanese firms abroad to come back and invest in Taiwan, the Bank will actively lend to such firms to fund their construction or purchase of factory sites and facilities. And in response to the government's New Southbound Policy (NSP), the Bank will expand lending to firms in countries targeted by the NSP. The Bank will also continue to implement all types of economic stimulus loan programs in response to the COVID-19 pandemic, and will pro-actively implement and expand the Trillion Dollar Financing Stimulus Program.

B. Consumer Banking

The Bank will continue to promote high-quality loans for owner-occupied homes; continue to implement the "Low-Interest Nest-building Loan Program for Civil Servants and Teachers"; plans to launch online application services; will actively undertake "Young Entrepreneur and Start-up Loans" and "Micro-business Start-up Phoenix Loans"; in coordination with the "Dual Profit Engines for Financial Holding Companies, Dual Wings for Soaring Bank Profits" program, plans to undertake a marketing program for financial products including an "integrated mortgage credit card business," online banking, and mortgage life insurance; will familiarize the public with the Bank's Guide Dog Affinity Card and The Lord is My Shepherd Affinity Card; and will pro-actively promote mobile payment services.

(3) Foreign Exchange and International Banking

Promotion of the Bank's foreign-currency deposit business and development of e-banking service will be continued. In overseas operations, cultivation of overseas markets will be deepened, the international syndicated loans and bond investment business will be developed, online banking services will be strengthened; a funds allocation platform for offshore Taiwan-invested firms will be established; risk management mechanisms will be strengthened and the business results of overseas branches will be enforced.

(4) Electronic Banking

In order to increase exchange among the head office and group subsidiaries in the development of employees' digital capabilities and business exchanges, the BOT is planning to launch a "Training Program to Develop Seed Personnel for a Digital Transformation." And in order to build a digital financial ecosystem, besides coordinating with the "Integrated Platform for FinTech R&D Breakthroughs by Government-Invested Enterprises" by continuing to promote the Taiwan Pay mobile payments system, the Bank plans to introduce diversified mobile payment methods for tuition and miscellaneous charges at public schools.

(5) Trust Business

The Bank will continue to increase the operating scale of fund and trust management products; continuously develop old-age trust products and property management trust of the disabled; and actively develop the Bank's real estate development trust and escrow businesses and continue promoting its real estate escrow service.

(6) Investment

In addition to the purchase of Central Bank negotiable certificates of deposit in its bills finance business, the Bank—subject to the availability of free capital—will increase its purchases of short-term bills in order to earn better investment returns; purchase commercial papers on the primary market in order to support the Bank's business units in their certification and underwriting of guaranteed issues of commercial paper, and to take part in the issuance of non-guaranteed commercial paper. To increase the fee income, the Bank will carry out bond investment under the principle of buying in batches in times of yield rebounds; actively seek opportunities to lead or participate in the underwriting of international bonds and continue expanding into markets where bank debentures and corporate bonds are relatively highly rated (investing primarily in bonds with international credit ratings of A- or higher); continue with the appropriate management of the reinvestment business; and continue to focus stock portfolio investment on blue chips, high cash dividend stocks, and ETFs. The principle of risk-control will be observed, and hedging transactions will be used to lower market risk.



(7) Government Employees Insurance

The Bank will coordinate with the government's timetable for amending the law to comprehensively transform all payments to the elderly under Government Employees Insurance into pensions, and pro-actively plan out and research relevant coordinating measures, in order to complete the legal system; continue holding Government Employees Insurance seminars; develop e-banking operations; implement cyber defense measures and ensure the effectiveness of services; improve the management of Government Employees Insurance finances, strengthen risk management, and increase the returns on investment of Government Employees Insurance reserve funds.

(8) Wealth Management Service

Wealth management channel deployment will be reinforced to expand the service network of wealth management; the integrated marketing effect will be maximized for holding company products and sales channels; professional manpower training will be strengthened to deeply implant wealth management capability; and the Bank will continue holding financial planning seminars and provide professional advisory services.

(9) Precious Metals Business

The Bank will optimize its Gold Passbook product to provide diversified and differentiated services superior to those offered elsewhere in the financial industry, in order to maintain the Bank's leading position in the domestic market. The Bank will also serve as the main domestic issuing bank and clearing bank for the Gold Passbook, to facilitate the initiation of this business by cooperating banks, so that together we can provide gold assets disposition services to citizens. The Bank will moreover put out diversified gold bar products, in order to seize the business opportunities from retail and wholesale sales of physical gold.

3. Market Analysis

(1) Business Operations Areas

At the end of 2020, the Bank's business units included 163 domestic branches and one Offshore Banking Branch, and 21 overseas units. There were physical business locations in the five major continents of Europe, America, Asia, Australia, and Africa.

(2) Future Market Supply and Demand as well as Growth Prospects

Since 2020, the COVID-19 pandemic has caused a major global economic downturn and exacerbated financial market volatility. Moving forward, the Bank will need to closely monitor factors that could adversely affect the global economy, including the COVID-19 situation, strategic competition between the US and China, mainland China's growing economic and financial risks, and geopolitical risks. Per Taiwan's Directorate-General of Budget, Accounting and Statistics (DGBAS) forecast, Taiwan is expected to achieve an economic growth rate of 4.64% in 2021, while the forecast of the Central Bank of the Republic of China (Taiwan) is 4.53%, higher than the prediction of 4.5% from IHS Markit. In sum, it is still necessary to maintain a cautious outlook about the future prospects of the banking industry and to closely follow developments in international financial markets in order to respond to market changes in a timely manner.

(3) Competitive Niches

- A. As the oldest bank in Taiwan, the Bank enjoys an outstanding reputation and the trust of the public.
- B. An outstanding brand image and professional financial personnel, along with service channels spread over the whole country, will facilitate the promotion of business in various areas.
- C. The Bank will utilize the benefits of integrated marketing using the group's resources, and will pro-actively introduce new types of competitive and diversified financial products. Through integration of product lines, the Bank will build a sales platform for diversified financial products and provide comprehensive financial products and services.
- (4) Factors Favorable and Unfavorable to the Bank's Development Prospects, and Countermeasures

A. Favorable factors

- a. The Bank is a 100% government-owned bank and has the highest credit rating of all domestic banks; with a solid operating base, it enjoys the trust of the public. The Bank's huge customer base facilitates efforts to solicit new business.
- b. The Bank enjoys a No. 1 position in scale of deposits and loans, leadership among local banks in total assets and shareholders' equity, and a solid operating strength.
- c. The Bank is a subsidiary of Taiwan Financial Holdings, the resource-sharing platform of which reinforces the operation of the primary and cross-sales systems, and realizes the synergies of business integration.

B. Unfavorable factors

- a. As a bank that is 100% owned by the government, the Bank has a personnel system, budget, and procurement that are relatively inflexible. The Bank's organizational framework makes it difficult to respond to changes of the external environment in a timely manner and grasp early opportunities in the market.
- b. Domestic banks in Taiwan have long been dealing with intense competition, and it is difficult to enlarge the interest rate spread between loans and deposits. The Bank, on top of that, also shoulders policy missions, which reduces profitability.
- c. There has been a challenge to the traditional banking industry in terms of alternative services introduced by the steady entry of Internet-only banks into the financial market.

C. Countermeasures

a. The Bank will gradually adjust the ratio of NT Dollar time deposits as a share of total deposits and optimize deposit structure to lower the cost of funds, strengthen the deployment of channels, utilize the advantages of being a government-run brand, and actively promote its wealth management business. The purpose of these actions is to improve the Bank's deposit structure and increase fee income.

- b. The Bank will effectively utilize deposits while simultaneously taking risk and returns into account to raise the overall earning yield. In recent years the Bank has continually expanded loans to private enterprises (especially loans to small and medium-sized enterprises) and its mortgage business, to raise average lending rates, boost the loans to deposits ratio, and increase total income.
- c. The Bank will endeavor to afford customers a better "all-around digital financial experience," build a comprehensive digital financial ecosystem, and, through the "Training Program to Develop Seed Personnel for a Digital Transformation," enhance employees' creative thinking and strengthen the Bank's culture of innovation.

4. Financial Product R&D and Business Development

Please refer to page 75 of the Chinese annual report.

5. Long-term and Short-term Development Plan

- (1) Short-term Development Plan
 - A. Coordinate with government policies, implement financial inclusion.
 - B. Optimize the deposit structure, lower the cost of funds.
 - C. Expand credit business, raise overall earnings.
 - D. Build a stronger local presence in offshore markets, strengthen overseas profits.
 - E. Promote sustainable finance, build a society with prosperity for all.
 - F. Upgrade the all-around digital experience of customers, create an innovative financial ecosystem.
 - G. Strengthen AML/CFT mechanisms.
 - H. Strengthen capabilities for cybersecurity early warning and defense/response capabilities, provide secure financial services.
 - I. Enhance risk management mechanisms, improve the management system.
 - J. Cultivate outstanding manpower, strengthen organizational competitiveness.

(2) Long-term Development Plan

The Bank has succeeded in building a new corporate culture defined by its "5P business operating policy" and "5S corporate culture", and is working in line with the principles of "Integrity, Care, Efficiency, and Prudence" to achieve greater depth and breadth in its lineup of services. In line with its vision of "A Leading Bank with Global Presence," the Bank will continue strengthening its international presence while facilitating the government's New Southbound Policy by seizing upon business opportunities in "the age of the Asian economy." This entails adopting short, medium, and long-term international expansion plans and business development strategies. To coordinate with the government's various policies, the Bank will optimize its policies, plan and operate many different lines of business, expand the scope of its financial services, and improve overall business performance.

II. Human Resources

Employee Statistics

Items	Year	2019	2020	As of Mar. 31, 2021
	Staff	7,383	7,424	7,379
Number of Employees	Guards	165	162	165
Number of Employees	Janitors	643	657	650
	Total	8,191	8,243	8,194
Average Age	Average Age		45.65	45.49
Average Years of Service	ce	18.20	18.10	17.92
	Ph.D.	0.05	0.06	0.07
	Master's Degree	20.69	21.55	21.61
Education (%)	Bachelor's Degree	71.44	71.12	71.30
	Senior High School	6.97	6.53	6.29
	Below Senior High School	0.85	0.74	0.73

Note: The above numbers do not include contract salespersons, contract workers, and overseas locally recruited staff.

III. Corporate Responsibility and Ethical Behavior

The Bank makes every effort to attain the budget targets set by the government, coordinates with the government's major construction plans and participates actively in the financing of infrastructure projects as well as large private investment projects, and joins in programs to help financially distressed small and medium-sized enterprises and stimulate the economy, all in order to promote overall national economic development. At the same time, the Bank will also participate in public welfare activities to pay back to the public and fulfill corporate social responsibility. In addition, the



BOT Chairman Joseph Jye-Cherng Lyu (7th from right), jury chair and National Taiwan University Professor Jin-Tan Liu (8th from right), jury members, and senior management from the Taiwan Financial Holdings Group pose for a group photo with the award winners at the awards ceremony held on 29 May 2020 for the "2020 Bank of Taiwan Awards for Economic and Financial Research."



Bank further raised the level of its participation in corporate social responsibility activities by holding the "Bank of Taiwan Arts Festival" (including painting, photography, and music festivals) and the "Bank of Taiwan Awards for Economic and Financial Research" to solicit academic papers. Such activities encourage citizens to undertake research and creative artistic work, and it is hoped that arts and cultural activities will help people make the transition to the post-pandemic era.

IV. Number of Full-Time Non-Supervisory Employees, Average and Median Salary of Full-Time Non-Supervisory Employees, and How These Differ from the Preceding Year's Figures

Unit: Person; NT\$1,000/ Person

Year Full-Time Non-Supervisory Employees	2020	2019	+/-
Number	8,145	8,107	38
Average Salary	1,401	1,359	42
Median Salary	1,080	1,054	26

Note: To calculate the median figure above, the first step was to count the number of employees at end-December of the current year and note their occupational grades and ranks, and use the table of employee salaries to calculate the median salary, then on the basis of this number a median salary that includes bonuses and overtime pay is estimated.

V. Information Equipment

1. Installation and Maintenance of Hardware and Software for Major Information Systems

The Bank's core accounts system and overseas system consist of an exclusive server platform for deposit, foreign exchange, loan, gold, accounting, and remittance account transactions; an open-system server for the trust, credit card, bonds, and notes businesses; and an operations management support system to make up a comprehensive back-office system for financial operations.

The Bank builds up a comprehensive financial service network that, in addition to traditional teller operations, has an user-end system that includes a global information network, ATM system, internet bank, corporate e-banking site, financial EDI, mobile banking, cloud banking, SuperPay, EasyGo and so on.

2. Future Development or Procurement Plans

(1) To upgrade the Bank's digital services channels and promote the transition to smart and automated wealth management services at brick-and-mortar branches, the Bank plans to use online interactivity to help customers. Based on the investment goals and risk tolerance of the customer, through computer program algorithms, the Bank will provide automated investment portfolio suggestions and other smart technology as we construct a smart financial management services platform.

- (2) In order to strengthen the digital financial environment, upgrade the service applications of digital services channels, and spread the load of transactions on the existing electronic financial server (Hexa-Core platform), the Bank plans to construct a digital financial shared services system and an integrated platform for information circulation microservices.
- (3) To accelerate control of the impact of intelligence on the Bank's equipment, server systems, and so on, and strengthen intelligence response capabilities and simultaneous situational management, the Bank plans to construct a cyber security management platform with information asset inventorying and intelligence follow-up functions.
- (4) To provide functions like management of external legal changes and internal compliance changes as well as follow-up management for legal compliance self-assessments by all units, the Bank intends to construct a legal compliance affairs management system, and upgrade the efficacy of legal compliance management work.
- (5) To comply with the New Basel Capital Accord, the amended "Methods for Calculating Banks' Regulatory Capital and Risk-Weighted Assets" issued by Taiwan's Financial Supervisory Commission in 2020, and the needs of risk management, the Bank plans to undertake upgrading of the BIS risk management system and adjustment of its computational logic to bring it in line with regulations, in order to amend the computational logic associated with the existing BIS system and the logic of new and adjusted reporting forms (including supervisory reporting forms of the Competent Authority and management reporting forms), in order to ensure that the results of BIS system calculations and the production of reporting forms are in line with regulations.
- (6) In 2020 the Bank coordinated with the Ministry of Labor and arranged a large number of small relief loans for workers experiencing financial distress. In order to effectively manage the Bank's creditor rights, simplify credit guarantee subrogation procedures, and upgrade efficiency, the Bank plans to add computerized operations for external claims and debt repayment agreements as well as credit guarantee subrogation matters, in order to reduce the burden on Bank staff.

3. Emergency Back-up and Security Measures

(1) Emergency Backup

The Bank formally inaugurated its integrated Taoyuan remote backup center to serve as a backup mechanism for the core accounts servers. Establishment of the Bank's backup systems for open front-end systems that are important and that involve a large volume of transactions is steadily being completed. The outsourcing of the remote backup center, with the leasing of specialized infrastructure facilities, the operation and management of the specialized computer room, and the provision of emergency response management planning services, enhances the availability of the backup center.



(2) Safety Protection

- A. The Bank smoothly passed follow-up audits by the British Standards Institution (BSI) in 2020, thus maintaining the following certifications: ISO 20000, ISO 27001, BS 10012, and ISO 22301.
- B. To enhance information security control, and better protect sensitive information, the Bank made continued use of a previously acquired "Internal Information Network Architecture and Equipment," an "Information Center SSL VPN Network Encryption Gateway," an "IP Workstation Maximum Authorization Management System," an "Email Sensitive-Information Detection and Protection System," a "Data Endpoint Protection System," an "Outlook Web Access Control Platform for Email," an "Information Security Monitoring, Control, and Management System," and a "Web Domain Workstation Security Screening Platform."

VI. Labor Relations

1. Employee Welfare Measures, Retirement System and Its Implementation, Labor-Ownership Agreements, and Measures for Protecting Employee Interests

The Bank is a government-owned enterprise in an industry that is subject to the Labor Standards Act. Working conditions, welfare measures, and the retirement system are all handled in accordance with the provisions of the Labor Standards Act and other laws and regulations governing civil servants. The Bank addresses concrete requests raised by employees by establishing a labor-ownership meeting for negotiation and communication and, whenever necessary, by using various other occasions or human resources evaluation committees at various levels to communicate with employees, resolve points of contention, and build consensus. The Bank seeks what is in the best interests of both labor and management, taking care always to cultivate mutual trust and respect.

2. Losses Due to Labor-Ownership Disputes, Estimated Possible Current and Future Amounts That Might Occur, and Countermeasures

A response mechanism to prevent an interruption in case of strikes has been set up to cope with potential disputes and bring about their early resolution. In the event of a large and relatively damaging labor-management dispute, the Bank is prepared to seek personnel support from the competent authority and work with the labor authority, engaging in talks, labor dispute arbitration procedures, or litigation to reach a resolution as quickly as possible and minimize losses.



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Financial Information

I. Five-Year Financial Summary

1. Condensed Balance Sheets and Comprehensive Income Statements

Condensed Consolidated Balance Sheets

Unit: NT\$1,000

Year	2020	2019	2018	2017	2016
Cash, cash equivalents, placement with Central Bank and call loans to banks	747,558,149	704,899,680	700,995,809	833,847,494	809,634,632
Financial assets measured at fair value through profit or loss	326,438,433	244,193,929	236,408,718	236,519,757	212,560,998
Financial assets measured at fair value through other comprehensive income	991,067,914	1,013,078,126	1,117,727,277	-	-
Debt investments measured at amortized cost	156,093,052	177,206,775	167,824,692	-	-
Available-for-sale financial assets	-	-	-	1,135,942,401	1,037,841,339
Financial assets for hedging	-	1,071	41,693	22,759	21,221
Bills and bonds purchased under resell agreements	-	-	-	-	-
Receivables, net	53,456,959	58,510,274	59,274,333	59,257,009	63,311,112
Current income tax assets	2,104,471	1,126,655	1,113,134	1,082,264	785,838
Assets held for sale, net	-	-	-	-	-
Loans and discounts, net	2,869,204,520	2,676,141,224	2,557,027,294	2,285,039,243	2,274,236,504
Held-to-maturity financial assets	-	-	-	144,060,765	138,812,328
Investments under equity method, net	41,133,323	41,109,486	38,007,840	36,203,500	35,055,524
Restricted assets	-	-	-	-	-
Other financial assets, net	37,763,270	40,158,445	46,040,182	75,603,497	76,578,793
Property and equipment, net	139,164,955	138,128,918	96,226,027	96,344,383	96,695,326
Right-of-use asset, net	1,447,075	1,603,487	-	-	-
Investment property, net	15,238,207	15,238,207	15,238,207	15,238,207	15,238,207

Year		2020	2019	2018	2017	2016
Intangible assets, net		980,867	873,797	764,936	708,732	803,225
Deferred tax assets, ne	et	632,057	903,797	312,291	170,841	297,880
Other assets		16,514,844	11,556,583	8,989,113	8,171,939	8,745,962
Total accets	Before distribution	5,398,798,096	5,124,730,454	5,045,991,546	4,928,212,791	4,770,618,889
Total assets	After distribution	5,396,672,184	5,124,730,454	5,045,991,546	4,928,212,791	4,770,618,889
Deposits of Central Ba	nk and other banks	268,447,708	229,253,533	221,756,139	219,021,384	227,596,814
Financing from Central	Bank and banks	15,849,400	-	-	-	-
Financial liabilities mea profit or loss	sured at fair value through	32,337,278	60,283,847	50,554,317	35,030,435	6,709,063
Financial liabilities for h	nedging	49,894	25,537	12,973	60,480	144,195
Bills and bonds sold un	der repurchase agreements	6,418,088	21,564,871	25,078,047	33,906,120	11,337,914
Payables		41,653,884	43,850,744	45,790,114	42,267,063	41,513,445
Current income tax liab	pilities	1,096,367	1,291,140	291,444	488,722	673,312
Liabilities related to ass	sets held for sale	-	-	-	-	-
Deposits and remittano	ees	4,172,738,840	3,971,785,851	4,025,739,102	3,941,132,048	3,873,982,764
Bonds payable		24,999,085	24,998,820	24,998,566	24,998,316	24,998,082
Preferred stock liabilities	es	-	-	-	-	-
Other financial liabilitie	S	924,671	962,539	678,843	842,822	748,855
Provision		420,237,839	361,821,599	315,020,626	314,774,236	283,367,966
Lease liabilities		1,323,312	1,479,132	-	-	-
Deferred tax liabilities		18,360,527	18,233,421	18,191,904	18,143,074	18,173,159
Other liabilities		11,216,748	10,694,256	7,750,426	8,505,331	6,924,012
Total liabilities	Before distribution	5,015,653,641	4,746,245,290	4,735,862,501	4,639,170,031	4,496,169,581
	After distribution	5,015,653,641	4,747,045,290	4,736,662,501	4,639,770,031	4,496,669,581



Items	Year	2020	2019	2018	2017	2016
Equity attributable to	Before distribution	383,144,455	378,485,164	310,129,045	289,042,760	274,449,308
owners of the parent	After distribution	381,018,543	377,685,164	309,329,045	288,442,760	273,949,308
Conital atople	Before distribution	109,000,000	109,000,000	95,000,000	95,000,000	95,000,000
Capital stock	After distribution	109,000,000	109,000,000	95,000,000	95,000,000	95,000,000
Capital surplus		108,453,043	108,453,043	80,453,043	80,453,043	80,453,034
Datained cornings	Before distribution	110,957,830	101,706,372	92,761,664	84,512,110	75,707,978
Retained earnings	After distribution	108,831,918	100,906,372	91,961,664	83,912,110	75,207,978
Other equity		54,733,582	59,325,749	41,914,338	29,077,607	23,288,296
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total aquity	Before distribution	383,144,455	378,485,164	310,129,045	289,042,760	274,449,308
Total equity	After distribution	381,018,543	377,685,164	309,329,045	288,442,760	273,949,308

Note: Figures for 2016 to 2019 are approved by the National Audit Office; figures for 2020 are CPA approved.

Condensed Consolidated Statements of Comprehensive Income

Unit: NT\$1,000

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Year	2020	2019	2018	2017	2016
Interest income	54,051,970	66,034,226	63,883,640	59,105,478	59,402,785
Less: Interest expense	26,564,755	39,355,028	38,258,281	33,583,405	33,367,303
Net interest income	27,487,215	26,679,198	25,625,359	25,522,073	26,035,482
Non-interest income, net	6,649,201	15,491,645	13,823,128	7,563,752	18,658,370
Net revenue	34,136,416	42,170,843	39,448,487	33,085,825	44,693,852
Bad debt expense and reserve for guarantees	310,089	7,345,228	7,302,488	1,685,005	5,183,736
Operating expenses	21,483,716	21,614,459	20,669,664	20,104,743	20,075,500
Income before tax from continuing operations	12,342,611	13,211,156	11,476,335	11,296,077	19,434,616
Income tax (expenses) revenues	(827,431)	(1,820,743)	(1,231,129)	(941,749)	(1,780,559)
Net income from continuing operations	11,515,180	11,390,413	10,245,206	10,354,328	17,654,057
Gain (Loss) from discontinued operations	-	-	-	-	-
Net income	11,515,180	11,390,413	10,245,206	10,354,328	17,654,057
Other comprehensive income	- 6,055,889	15,765,706	3,365,802	4,739,114	2,347,971
Total comprehensive income	5,459,291	27,156,119	13,611,008	15,093,442	20,002,028
Net income attributable to owners of the parent company	11,515,180	11,390,413	10,245,206	10,354,328	17,654,057
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	5,459,291	27,156,119	13,611,008	15,093,442	20,002,028
Total comprehensive income attributable to non- controlling interests	-	-	-	-	-
Earnings per share (NT\$)	1.06	1.15	1.08	1.09	1.86

Note:1. Figures for 2016 to 2019 are approved by the National Audit Office; figures for 2020 are CPA approved.

^{2.} The Bank's authorized capital was increased to NT\$109 billion on 25 September 2019. This amount was retroactively factored into earnings per share for each fiscal year.



Condensed Individual Balance Sheets

Unit: NT\$1,000

						Unit: N1\$1,000
Items	Year	2020	2019	2018	2017	2016
Cash, cash equivaler Central Bank and cal		747,558,119	704,899,650	700,995,779	833,847,464	809,634,602
Financial assets mea through profit or loss	sured at fair value	326,438,433	244,193,929	236,408,718	236,519,757	212,560,998
Financial assets mea through other compre		991,067,914	1,013,078,126	1,117,727,277	-	-
Debt investments me cost	asured at amortized	156,093,052	177,206,775	167,824,692	-	-
Available-for-sale fina	ancial assets	-	-	-	1,135,942,401	1,037,841,339
Financial assets for h	nedging	-	1,071	41,693	22,759	21,221
Bills and bonds purch agreements	nased under resell	-	-	-	-	-
Receivables, net		53,437,162	58,497,703	59,258,329	59,237,166	63,288,567
Current income tax a	ssets	2,100,360	1,126,655	1,113,134	1,082,264	761,713
Assets held for sale,	net	-	-	-	-	-
Loans and discounts	, net	2,869,204,520	2,676,141,224	2,557,027,294	2,285,039,243	2,274,236,504
Held-to-maturity finar	ncial assets	-	-	-	144,060,765	138,812,328
Investments under ed	quity method, net	41,512,192	41,546,887	38,434,590	36,594,041	35,497,450
Restricted assets		-	-	-	-	-
Other financial assets	s, net	37,763,270	40,158,445	46,040,182	75,603,497	76,578,794
Property and equipm	ent, net	139,161,467	138,125,216	96,222,499	96,340,880	96,691,099
Right-of-use asset, n	et	1,447,075	1,603,487	-	-	-
Investment property,	net	15,238,207	15,238,207	15,238,207	15,238,207	15,238,207
Intangible assets, ne	t	980,334	873,217	764,829	708,629	802,989
Deferred tax assets,	net	626,619	898,143	308,336	166,887	293,925
Other assets		16,511,833	11,553,574	8,986,040	8,168,927	8,742,952
Tatal anata	Before distribution	5,399,140,557	5,125,142,309	5,046,391,599	4,928,572,887	4,771,002,688
Total assets	After distribution	5,397,014,645	5,125,142,309	5,046,391,599	4,928,572,887	4,771,002,688
Deposits of Central B	Deposits of Central Bank and other banks		229,253,533	221,756,139	219,021,384	227,596,814
Financing from Centr	al Bank and banks	15,849,400	-	-	-	-
Financial liabilities me through profit or loss	easured at fair value	32,337,278	60,283,847	50,554,317	35,030,435	6,709,063

Items	Year	2020	2019	2018	2017	2016
Financial liabilities for hedging		49,894	25,537	12,973	60,480	144,195
Bills and bonds sold agreements	under repurchase	6,418,088	21,564,871	25,078,047	33,906,120	11,337,914
Payables		41,636,403	43,827,118	45,769,665	42,248,261	41,495,209
Current income tax lia	abilities	1,096,367	1,273,649	262,675	480,372	610,261
Liabilities related to a	ssets held for sale	-	-	-	-	-
Deposits and remittat	nces	4,173,100,442	3,972,246,112	4,026,190,539	3,941,518,628	3,874,447,418
Bonds payable		24,999,085	24,998,820	24,998,566	24,998,316	24,998,082
Preferred stock liabili	ties	-	-	-	-	-
Other financial liabilit	ies	924,671	962,539	678,843	842,821	748,855
Provision		420,235,522	361,813,702	315,017,702	314,774,236	283,367,966
Lease liabilities		1,323,312	1,479,132	-	-	-
Deferred tax liabilities	Deferred tax liabilities		18,233,421	18,191,904	18,143,074	18,173,159
Other liabilities		11,217,405	10,694,864	7,751,184	8,506,000	6,924,444
Tatal liabilities	Before distribution	5,015,996,102	4,746,657,145	4,736,262,554	4,639,530,127	4,496,553,380
Total liabilities	After distribution	5,015,996,102	4,747,457,145	4,737,062,554	4,640,130,127	4,497,053,380
Equity attributable to	Before distribution	383,144,455	378,485,164	310,129,045	289,042,760	274,449,308
owners of the parent	After distribution	381,018,543	377,685,164	309,329,045	288,442,760	273,949,308
Comital ato als	Before distribution	109,000,000	109,000,000	95,000,000	95,000,000	95,000,000
Capital stock	After distribution	109,000,000	109,000,000	95,000,000	95,000,000	95,000,000
Capital surplus		108,453,043	108,453,043	80,453,043	80,453,043	80,453,034
Dataina da amina	Before distribution	110,957,830	101,706,372	92,761,664	84,512,110	75,707,978
Retained earnings	After distribution	108,831,918	100,906,372	91,961,664	83,912,110	75,207,978
Other equity		54,733,582	59,325,749	41,914,338	29,077,607	23,288,296
Treasury stock	Treasury stock		-	-	-	-
Non-controlling interes	ests	-	-	-	-	-
	Before distribution	383,144,455	378,485,164	310,129,045	289,042,760	274,449,308
Total equity	After distribution	381,018,543	377,685,164	309,329,045	288,442,760	273,949,308

Note: Figures for 2016 to 2019 are approved by the National Audit Office; figures for 2020 are CPA approved.



Condensed Individual Statements of Comprehensive Income

Unit: NT\$1,000

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Year Items Year	2020	2019	2018	2017	2016
Interest income	54,051,970	66,034,226	63,883,640	59,105,478	59,402,785
Less: Interest expense	26,565,093	39,355,438	38,258,657	33,583,762	33,367,745
Net interest income	27,486,877	26,678,788	25,624,983	25,521,716	26,035,040
Non-interest income, net	6,540,006	15,345,157	13,668,495	7,417,544	18,478,694
Net revenue	34,026,883	42,023,945	39,293,478	32,939,260	44,513,734
Bad debt expense and reserve for guarantees	310,089	7,345,228	7,302,488	1,685,005	5,183,736
Operating expenses	21,391,241	21,507,754	20,563,400	19,998,078	19,958,435
Income before tax from continuing operations	12,325,553	13,170,963	11,427,590	11,256,177	19,371,563
Income tax (expenses) revenues	(810,373)	(1,780,550)	(1,182,384)	(901,849)	(1,717,506)
Net income from continuing operations	11,515,180	11,390,413	10,245,206	10,354,328	17,654,057
Gain (Loss) from discontinued operations	-	-	-	-	-
Net income	11,515,180	11,390,413	10,245,206	10,354,328	17,654,057
Other comprehensive income	- 6,055,889	15,765,706	3,365,802	4,739,114	2,347,971
Total comprehensive income	5,459,291	27,156,119	13,611,008	15,093,442	20,002,028
Net income attributable to owners of the parent company	11,515,180	11,390,413	10,245,206	10,354,328	17,654,057
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	5,459,291	27,156,119	13,611,008	15,093,442	20,002,028
Total comprehensive income attributable to non- controlling interests	-	-	-	-	-
Earnings per share (NT\$)	1.06	1.15	1.08	1.09	1.86

Note:1. Figures for 2016 to 2019 are approved by the National Audit Office; figures for 2020 are CPA approved.

2. CPA-Auditor of Financial Report

Year	Name of Accounting Firm	Name of CPA		Audit Opinion
2016	KPMG Certified Public Accountants	Fang, Yen-Ling	Lee, Feng-Hui	Unqualified Opinion
2017	KPMG Certified Public Accountants	Fang, Yen-Ling	Lee, Feng-Hui	Unqualified Opinion
2018	KPMG Certified Public Accountants	Lee, Feng-Hui	Wu, Lin	Unqualified Opinion
2019	KPMG Certified Public Accountants	Lee, Feng-Hui	Wu, Lin	Unqualified Opinion
2020	KPMG Certified Public Accountants	Lee, Feng-Hui	Wu, Lin	Unqualified Opinion

^{2.} The Bank's authorized capital was increased to NT\$109 billion on 25 September 2019. This amount was retroactively factored into earnings per share for each fiscal year.

II. Five-Year Financial Analysis

Consolidated Financial Analysis

Unit: NT\$1,000; %

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Items	Year	2020	2019	2018	2017	2016	
	Ratio of Loans to Deposits	69.75	68.42	64.39	58.82	59.42	
	Non-Performing Loan Ratio	0.15	0.18	0.21	0.29	0.26	
	Ratio of Interest Cost to Annual Average Deposits (Note 4)	0.81	1.07	1.10	1.07	1.09	
Operating Ability	Ratio of Interest Income to Annual Average Loans Outstanding	1.32	1.60	1.68	1.66	1.69	
	Total Assets Turnover (Times)	0.65	0.83	0.79	0.68	0.94	
	Average Revenue per Employee	4,082	5,064	4,729	4,007	5,517	
	Average Profit per Employee	1,377	1,368	1,228	1,254	2,179	
	Return on Tier 1 Capital	4.50	5.62	5.62	5.63	10.41	
	Return on Assets	0.22	0.22	0.21	0.21	0.37	
Profitability	Return on Equity	3.02	3.31	3.42	3.68	6.67	
	Net Income Ratio (Note 4)	33.73	27.01	25.97	31.30	39.50	
	Earnings per Share (NT\$)	1.06	1.15	1.08	1.09	1.86	
- ,	Ratio of Liabilities to Assets	92.88	92.60	93.84	94.11	94.22	
Financial Structure	Ratio of Property and Equipment to Equity	36.32	36.92	31.03	33.33	35.23	
Ourselle Date	Rate of Asset Growth (Note 4)	5.35	1.56	2.39	3.30	0.81	
Growth Rate	Rate of Profit Growth (Note 4)	-6.57	15.12	1.60	-41.88	83.32	
	Cash Flow Ratio	0.00	7.05	0.00	1.36	81.26	
Cash Flow	Cash Flow Adequacy Ratio (Note 4)	204.21	547.94	581.82	1,580.25	1,745.34	
	Cash Flow Satisfied Ratio	0.00	2,113.09	0.00	2,207.03	1,611.02	
Liquidity Rese	erve Ratio	34.27	37.41	44.82	49.64	47.90	
Loans to Parties with Material Relationship with the Bank		26,577,119	26,622,691	25,393,089	23,136,658	42,815,251	
	s to Parties with Material with the Bank to Total Loans	0.94	0.94	0.94	0.96	1.79	
	Market Share of Assets	8.78	8.98	9.22	9.40	9.50	
Operating	Market Share of Net Worth	8.82	9.05	8.01	7.96	7.87	
Scale	Market Share of Deposits	8.98	9.36	10.04	10.12	10.36	
	Market Share of Loans	8.71	8.57	8.52	8.05	8.29	

Note:1. Figures for 2016 to 2019 are approved by the National Audit Office; figures for 2020 are CPA approved.

^{2.} The BOT capital increase was approved by the Financial Supervisory Commission on July 17, 2019 [Ref: Letter No. (FSC) Gin-Guan-Yin Kong



10801305311] and by the Ministry of Economic Affairs on October 31, 2019 [Ref: Letter No. (MOEA) Jing-Shou-Shang 10801140660]. The date of record for the capital increase is September 25, 2019.

- 3. To reasonably express average interest rate, excess interest paid on preferential-rate deposits was added back into total interest expenditures for 2020, 2019, 2018, 2017 and 2016 in the amounts of NT\$8,469,704,000, NT\$8,781,167,000, NT\$9,584,098,000, NT\$11,005,334,000, and NT\$10,776,632,000, respectively.
- 4. Reasons why the ratio changed during the previous two years by 20% or more:
 - (1) The asset growth rate increased because the Bank's active pursuit of business development in 2020 caused its loan business to grow and its loans to deposits ratio to increase. Growth in total assets exceeded the growth achieved in 2019.
 - (2) Interest expenses as a share of average balance of deposits for the year decreased, mainly due to a decrease in deposit interest expenses.
 - (3) Cash flow adequacy ratio decreased because the net cash outflow from the operating activities increased
 - (4) Net income ratio rose, mainly because net revenues decreased in 2020 (i.e. the denominator decreased).
- 5. Formulae used in calculations:
 - (1) Operating Ability
 - a. Ratio of loans to deposits = Total loans / Total deposits
 - b. Non-performing loan ratio = Non-performing loans / Total loans outstanding
 - c. Ratio of interest cost to annual average deposits = Interest cost related to deposits / Annual average deposits
 - d. Ratio of interest income to annual average loans outstanding = Interest income related to loans outstanding / Annual average amount of loans outstanding
 - e. Total assets turnover (times) = Net revenue / Average total assets
 - f. Average revenue per employee = Net revenue / Total number of employees
 - g. Average profit per employee = Net income / Total number of employees
 - (2) Profitability
 - a. Return on Tier 1 capital = Net income before tax / Net average Tier 1 capital
 - b. Return on assets = Net income / Average total assets
 - c. Return on equity = Net income / Average total equity
 - d. Net income ratio = Net income / Net revenue
 - e. Earnings per share = (Net income attributable to owners of the parent company Preferred stock dividend) / Weighted average number of shares issued
 - (3) Financial Structure
 - a. Ratio of liabilities to assets = Total liabilities / Total assets
 - b. Ratio of property and equipment to equity = Net property and equipment / Net equity
 - (4) Growth Rate
 - a. Rate of asset growth = (Total assets for current year –Total assets for previous year) / Total assets for previous year
 - b. Rate of profit growth = (Before-tax profit or loss for current year Before-tax profit or loss for previous year) / Before-tax profit or loss for previous year
 - (5) Cash Flow
 - a. Cash flow ratio = Net cash flow from operating activities / (Call loans and overdrafts from banks + Commercial paper payable+ Financial liabilities measured at fair value through profit or loss + Bills and bonds sold under repurchase agreements + Current portion of payables)
 - b. Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + Cash dividends) for the past five years
 - c. Cash flow satisfied ratio = Net cash flow from operating activities / Net cash flow from investing activities
 - (6) Liquidity reserve ratio = Liquid assets specified by the Central Bank / Debt items for which liquidity reserves should be allocated
 - (7) Operating Scale
 - a. Market share of assets = Total assets / Total assets of the major financial institutions
 - b. Market share of net worth = Net worth / Total net worth of the major financial institutions
 - c. Market share of deposits = Total deposits / Total deposits of the major financial institutions
 - d. Market share of loans = Total loans / Total loans of the major financial institutions
 - (8) Other
 - a. The total amount of liabilities is net of reserve for guarantees and contingency funds.
 - b. The term "revenues" means the sum total of interest income and non-interest income.
 - c. Cash dividends include cash dividends on common and preferred shares.

Individual Financial Analysis

Unit: NT\$1,000; %

			ли. мтфт,000, 76			
Items	Year	2020	2019	2018	2017	2016
	Ratio of Loans to Deposits	69.74	68.41	64.38	58.82	59.42
Operating Ability	Non-Performing Loan Ratio	0.15	0.18	0.21	0.29	0.26
	Ratio of Interest Cost to Annual Average Deposits (Note 4)	0.81	1.07	1.10	1.07	1.09
	Ratio of Interest Income to Annual Average Loans Outstanding	1.32	1.60	1.68	1.66	1.69
	Total Assets Turnover (Times)	0.65	0.83	0.79	0.68	0.94
	Average Revenue per Employee	4,069	5,046	4,711	3,989	5,519
	Average Profit per Employee	1,377	1,368	1,228	1,254	2,189
	Return on Tier 1 Capital	4.49	5.61	5.59	5.61	10.38
	Return on Assets	0.22	0.22	0.21	0.21	0.37
Profitability	Return on Equity	3.02	3.31	3.42	3.68	6.67
	Net Income Ratio (Note 4)	33.84	27.10	26.07	31.30	39.66
	Earnings per Share (NT\$)	1.06	1.15	1.08	1.09	1.86
	Ratio of Liabilities to Assets	92.88	92.60	93.83	94.11	94.23
Financial Structure	Ratio of Property and Equipment to Equity	36.32	36.92	31.01	33.33	35.23
Growth	Rate of Asset Growth (Note 4)	5.35	1.56	2.39	3.30	0.81
Rate	Rate of Profit Growth (Note 4)	-6.42	0.00	1.52	-41.89	83.56
Cash Flow	Cash Flow Ratio	0.00	0.00	0.00	1.36	81.26
	Cash Flow Adequacy Ratio (Note 4)	195.83	548.71	582.64	1,580.25	1,745.42
	Cash Flow Satisfied Ratio	0.00	2,116.17	0.00	2,250.10	1,611.45
Liquidity Res	serve Ratio	34.27	37.41	44.82	49.64	47.90
Loans to Parthe Bank	rties with Material Relationship with	26,577,119	26,622,691	25,393,089	23,136,658	42,815,251
	ns to Parties with Material with the Bank to Total Loans	0.94	0.94	0.94	0.96	1.79
	Market Share of Assets	8.78	8.98	9.22	9.40	9.50
Operating	Market Share of Net Worth	8.82	9.05	8.01	7.96	7.87
Scale	Market Share of Deposits	8.98	9.36	10.04	10.12	10.37
	Market Share of Loans	8.71	8.57	8.52	8.05	8.29

Note:1. Figures for 2016 to 2019 are approved by the National Audit Office; figures for 2020 are CPA approved.

^{2.} The BOT capital increase was approved by the Financial Supervisory Commission on July 17, 2019 [Ref: Letter No. (FSC) Gin-Guan-Yin Kong 10801305311] and by the Ministry of Economic Affairs on October 31, 2019 [Ref: Letter No. (MOEA) Jing-Shou-Shang 10801140660]. The date of record for the capital increase is September 25, 2019.



- 3. To reasonably express average interest rate, excess interest paid on preferential-rate deposits was added back into total interest expenditures for 2020, 2019, 2018, 2017 and 2016 in the amounts of NT\$8,469,704,000, NT\$8,781,167,000, NT\$9,584,098,000, NT\$11,005,334,000, and NT\$10,776,632,000, respectively.
- 4. Reasons why the ratio changed during the previous two years by 20% or more:
 - (1) The asset growth rate increased because the Bank's active pursuit of business development in 2020 caused its loan business to grow and its loans to deposits ratio to increase. Growth in total assets exceeded the growth achieved in 2019.
 - (2) Interest expenses as a share of average balance of deposits for the year decreased, mainly due to a decrease in deposit interest expenses.
 - (3) Cash flow adequacy ratio decreased because the net cash outflow from the operating activities increased.
 - (4) Net income ratio rose, mainly because net revenues decreased in 2020 (i.e. the denominator decreased).
- 5. Formulae used in calculations:
 - (1) Operating Ability
 - a. Ratio of loans to deposits = Total loans / Total deposits
 - b. Non-performing loan ratio = Non-performing loans / Total loans outstanding
 - c. Ratio of interest cost to annual average deposits = Interest cost related to deposits / Annual average deposits
 - d. Ratio of interest income to annual average loans outstanding = Interest income related to loans outstanding / Annual average amount of loans outstanding
 - e. Total assets turnover (times) = Net revenue / Average total assets
 - f. Average revenue per employee = Net revenue / Total number of employees
 - g. Average profit per employee = Net income / Total number of employees
 - (2) Profitability
 - a. Return on Tier 1 capital = Net income before tax / Net average Tier 1 capital
 - b. Return on assets = Net income / Average total assets
 - c. Return on equity = Net income / Average total equity
 - d. Net income ratio = Net income / Net revenue
 - e. Earnings per share = (Net income attributable to owners of the parent company Preferred stock dividend) / Weighted average number of shares issued
 - (3) Financial Structure
 - a. Ratio of liabilities to assets = Total liabilities / Total assets
 - b. Ratio of property and equipment to equity = Net property and equipment / Net equity
 - (4) Growth Rate
 - a. Rate of asset growth = (Total assets for current year Total assets for previous year) / Total assets for previous year
 - b. Rate of profit growth = (Before-tax profit or loss for current year Before-tax profit or loss for previous year) / Before-tax profit or loss for previous year
- (5) Cash Flow
 - a. Cash flow ratio = Net cash flow from operating activities / (Call loans and overdrafts from banks + Commercial paper payable + Financial liabilities measured at fair value through profit or loss + Bills and bonds sold under repurchase agreements + Current portion of payables)
 - b. Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + Cash dividends) for the past five years
 - $c. \ \, \text{Cash flow satisfied ratio} = \text{Net cash flow from operating activities} \, / \, \text{Net cash flow from investing activities}$
- (6) Liquidity reserve ratio = Liquid assets specified by the Central Bank / Debt items for which liquidity reserves should be allocated
- (7) Operating Scale
 - a. Market share of assets = Total assets / Total assets of the major financial institutions
 - b. Market share of net worth = Net worth / Total net worth of the major financial institutions
 - c. Market share of deposits = Total deposits / Total deposits of the major financial institutions
 - d. Market share of loans = Total loans / Total loans of the major financial institutions
- (8) Other
 - a. The total amount of liabilities is net of reserve for guarantees and contingency funds
 - b. The term "revenues" means the sum total of interest income and non-interest income.
 - c. Cash dividends include cash dividends on common and preferred shares.

Adequacy of Capital

Unit: NT\$1,000

Items		Year	2020	2019	2018	2017	2016
	Common Stocks E	quity	288,306,427	260,398,368	209,451,511	204,281,845	196,707,640
Self- Owned	Other Total Tier 1 of Stocks Equity	f Non-Common					
Capital	Tier 2 Capital		40,361,717	37,174,652	41,031,241	42,705,800	44,259,621
	Self-Owned Capita	I	328,668,144	297,573,020	250,482,752	246,987,645	240,967,261
		Standardized Approach	2,062,529,245	1,955,312,649	1,818,059,477	1,723,632,715	1,845,427,164
	Credit Risk	Internal Ratings-Based Approach					
		Securitization	439,884	291,897	438,445	249,668	248,551
		Basic Indicator Approach					
Total Risk- Weighted Assets	Operational Risk	Standardized Approach/ Alternative Standardized Approach	64,279,938	63,628,550	64,333,363	61,430,838	64,622,213
		Advanced Measurement Approach					
		Standardized Approach	70,603,450	82,580,325	112,738,688	95,600,876	90,793,588
	Market Risk	Internal Model Approach					
	Total Risk-Weighte	d Assets	2,197,852,517	2,101,813,421	1,995,569,973	1,880,914,097	2,001,091,516
Capital Adec	quacy Ratio (%)		14.95	14.16	12.55	13.13	12.04
Ratio of Tier	1 Capital to Risk As	sets (%)	13.12	12.39	10.50	10.86	9.83
Ratio of Cor (%)	nmon Stocks Equity	to Risk Assets	13.12	12.39	10.50	10.86	9.83
Leverage Ra	atio (%)		5.46	5.08	4.12	4.10	4.08

Note:1. Figures for 2016 to 2020 are CPA approved.

- 2. The definition of Self-owned capital, Total risk-weighted assets and Exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Methods for Calculation the Self-Owned Capital and Risk-Weighted Assets of Banks."
- 3. Formulae used in calculations:
 - (1) Self-owned capital = Common stocks equity + Other total Tier 1 of non-common stocks equity + Tier 2 capital
 - (2) Total risk-weighted assets = Credit risk-weighted assets + (Operational risk + Market risk) Capital requirement \times 12.5
 - (3) Capital adequacy ratio = Self-owned capital / Total risk-weighted assets
 - (4) Ratio of Tier 1 capital to risk assets = (Common stocks equity + Other total Tier 1 of non-common stocks equity) / Total risk-weighted assets
 - (5) Ratio of common stocks equity to risk assets = Common stocks equity / Total risk-weighted assets
 - (6) Leverage ratio = Net Tier 1 capital / Exposure measurement

III. Statement by the Audit Committee

Please refer to page 94 of the Chinese annual report.



IV. Financial Statements of Recent Years, and Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors of Bank of Taiwan:

Opinion

We have audited the consolidated financial statements of Bank of Taiwan ("the the Bank and subsidiary") and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and subsidiary as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China("FSC").

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants, Ruling No. 10802731571 issued by the FSC and the auditing standards generally accepted in Republic of China in 2020. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Bank of Taiwan and its subsidiary in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

In accordance with the auditing regulations in Taiwan, the financial statements of the Bank and subsidiary are required to be audited by the Ministry of Audit (the "MoA"). The financial statement for the financial year ended December 31, 2019 has been audited and approved by the MoA. The adjustments made by the MoA are reflected in the financial statement. For further information, please see note 16(b). Our opinion is not modified in respect of this matter.

Other Matter

As stated in note 6(j) of the consolidated financial statements, we did not audit the financial statements of Hua Nan Financial Holdings Co., Ltd. and Tai Yi Real Estate Co., Ltd. of investments in associates accounted for using equity method of the Bank and subsidiary amounting to NT\$40,232,245 thousand and NT\$40,082,169 thousand as of December 31, 2020 and 2019, respectively, constituting 0.75% and 0.78% of the related consolidated total assets; nor the related shares of investment profit in associates accounted for using equity method of NT\$1,841,523 thousand and NT\$3,391,427 thousand for the years then ended, respectively, constituting 5.39% and 8.04% of the related consolidated net revenue. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts includes above, is based solely on the report of the other auditors.

We have also audited the separated financial statements of Bank of Taiwan as of 2020 and 2019, and have issued an unmodified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. The assessment of impairment of financial assets

Please refer to Note 4(l) "Impairment of assets" for related accounting policy, Note 5(c) "The evaluation of financial asset impairments" for the uncertainty of accounting assumptions and estimations, and Note 8 "Financial risk management" for the details of the evaluation of financial asset impairments.

Description of key audit matters

When assessing whether there is any indication that the financial assets other than measured at fair value through profit or loss may be impaired, the Bank and subsidiary rely on management for considering all kinds of observable data and using the expected credit loss model, including probability of default, loss of default, exposure at default and prospective economic factors, to calculate the impairment loss. The calculation process is complicated and involves the exercise of judgment. Eventually, the assumptions used may also affect the estimated amount significantly. Furthermore, the amount of financial assets which required impairment tests is material to the Bank and subsidiary. Therefore, the assessment of impairment of financial assets has been identified as a key audit matter in our audit.

How the matter was addressed in our audit

Our principal audit procedures included (i) inspecting the internal guidelines of impairment assessment of credit and investment business, understanding the Bank's and subsidiary's procedures of the assessment of impairment of financial assets, and testing related internal control procedures; (ii) performing analytical procedures; (iii) assessing the reasonableness of the Bank's and subsidiary's assessment of impairment of financial assets and, if necessary, acquiring assistance from internal specialists; (iv) verifying the accuracy of loan loss provision based on "Regulations Governing the Procedures for Enterprises Engaging in Insurance to Evaluate Assets and Deal with Non performing/Non accrual Loans"; (v) assessing whether the impairment of financial assets is presented and disclosed fairly.



2. The valuation of financial instruments

Please refer to Note 4(f) "Financial instrument" for related accounting policy, Note 5(b) "The fair value valuation of non-active market or non-quoted financial instruments" for major sources of uncertainty for assumptions and estimation, and Note 7 "The fair value and fair value hierarchy of the financial instruments" for the details of valuation of financial instruments.

Description of key audit matters

The Bank and subsidiary hold the value of financial assets and liabilities, which shall calculated by a model are classified as level 2 and level 3 expect for which shall calculated by an observable for active market are classified as level 1. The parameters of inputs which often involve the exercise of judgment in valuation process. The valuation of financial instruments may be misstated due to the use difference of valuation techniques and assumptions. The amount of financial asset and liabilities the Bank and subsidiary hold as of December 31, 2020 were significant. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

How the matter was addressed in our audit

Our main audit procedures included (i) reviewing accounting policy about the fair value of financial instruments measurement and disclosure, and performing an assessment over the investment cycle of its initial recognition, subsequent measurement and disclosures on financial statement (ii) for the financial instruments measured at fair value with active market, sampling test of prices are quoted in an active market (iii) sampling to test whether the fair value of the financial instruments measured at fair value without an active market are appropriate by re-calculating and obtaining the quoted price from counter parties or independent third parties, as well as appointing our valuation specialists to assess the reasonableness of the models and parameters the Bank used when deemed necessary (iv) assessing whether the disclosure of financial instruments in accordance with International Financial Reporting Standards.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Budget Law, Account Settlement Law, Uniform Regulations on Accounting Systems for Banks Governed by the Ministry of Finance, Regulations Governing the Preparation of Financial Reports by Public Banks and with the IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Bank's and subsidiary's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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



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

The engagement partners on the audit resulting in this independent auditors' report are Feng-Hui Lee and Lin Wu.

KPMG

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

Notes to Readers

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

BANK OF TAIWAN AND SUBSIDIARY Consolidated Balance Sheets December 31, 2020 and 2010

December 31, 2020 and 2019 (Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020	December 31, 2019	, 2019			December 31, 2020	Decem	December 31, 2019	
11000	Assets Cash and Cash Emissalents (note 6(a) 8 and 10)	Amount 9	6 Amount 3 144 312 808	% "		Liabilities and Equity	Amount %	Amount	unt %	
11500	Placement with Central Bank and Call Loans to Banks (note 6(b), 8, 10 and		11 560,586,872	, 1	21000	Deposits of Central Bank and other banks (note 6(r), 8 and 10)	\$ 268,447,708 5	229,	229,253,533	8
	11)				21500	Due to the central bank and banks (note 6(b) and (s))	15,849,400			
12000	Financial Assets Measured at Fair Value through Profit or Loss (note 6(c), 7,	, 326,438,433	6 244,193,929	9 5	22000	Financial Liabilities Measured at Fair Value through Profit or Loss (note	32,337,278	60,	60,283,847	_
	8 and 10)					6(t), 7, 8 and 10)				
12100	Financial Assets Measured at Fair Value through Other Comprehensive	991,067,914	18 1,013,078,126	6 20	22300	Hedging Derivative Financial Liabilities, net (note 6(e), 7 and 8)	49,894 -		25,537 -	
	Income (note 6(d), (q), 7, 8 and 11)				22500	Bills and Bonds Sold under Repurchase Agreements (note 6(f) and 8)	6,418,088 -	21,	21,564,871 -	
12200	Debt Investments Measured at Amortized Cost(note 6(i), (q), 7, 8 and 11)	156,093,052	3 177,206,775	5 3	23000	Payables (note 6(u), 8 and 10)	41,653,884	43,8	43,850,744	_
12300	Hedging Derivative Financial Assets, net (note 6(e), 7 and 8)		1,071	-	23200	Current Income Tax Liabilities (note 8)	1,096,367	1,7	1,291,140	
13000	Receivables, net (note 6(g), 8 and 10)	53,456,959	1 58,510,274	4	23500	Deposits and Remittances (note 6(v), 8 and 10)	4,172,738,840 78	3,971,	7 1,785,851 7	00
13200	Current Income Tax Assets (note 8)	2,104,471	- 1,126,655	- 2	24000	Financial Bonds Payable (note 6(w) and 8)	24,999,085	24,5	- 24,998,820	
13500	Loans and Discounts, net (note 6(h), 8 and 10)	2,869,204,520	53 2,676,141,224	4 52	25500	Other Financial Liabilities (note 6(x) and 8)	924,671 -		962,539	
15000	Investments under Equity Method, net (note 6(j))	41,133,323	1 41,109,486	6 1	25600	Provision (note 6(y), (z) and 8)	420,237,839 8	361,8	361,821,599	œ
15500	Other Financial Assets, net (note 6(g), (k), (q), 8 and 10)	37,763,270	1 40,158,445	5 1	26000	Lease Liabilities (note 6(aa) and 8)	1,323,312	1,	1,479,132	
18500	Property and Equipment, net (note 6(1), (q) and 8)	139,164,955	3 138,128,918	8 3	29300	Deferred Tax Liabilities (note 6(ad) and 8)	18,360,527	18,	18,233,421 -	
18600	Right-of use assets (note 6(m))	1,447,075	- 1,603,487	- 1	29500	Other Liabilities (note 6(ac), 8 and 10)	11,216,748	10,0	10,694,256	1
18700	Investment Property (note 6(n))	15,238,207	- 15,238,207	- 1		Total liabilities	5,015,653,641 93	,	4,746,245,290 93	ml
19000	Intangible Assets, net (note 6(0) and 8)	2980,867	- 873,797	- 2		Equity attributable to owners of parent(note 6(ae)):				
19300	Deferred Tax Assets (note 6(ad))	632,057	- 903,797	- 2	31101	Capital stock	109,000,000	109,0	109,000,000	7
19500	Other Assets, net (note 6(p), (q), 8 and 10)	16,514,844	- 11,556,583	3 -	31500	Capital surplus	108,453,043 2	108,	108,453,043	7
						Retained earnings:				
					32001	Legal reserve	47,616,203	4,	44,692,790	_
					32003	Special reserve	40,538,707	36,0	36,640,733	_
					32005	Unappropriated retained earnings	- 22,802,920	20,	- 20,372,849	1
							110,957,830 2	101,	101,706,372	2
					32500	Other equity	54,733,582	59,3	59,325,749	-1
						Total equity	383,144,455 7	378,	378,485,164	7
	Total assets	\$ 5,398,798,096	100 5,124,730,454	100		Total liabilities and equity	\$ 5,398,798,096 100		5,124,730,454 100	011

See accompanying notes to consolidated financial statements.



Consolidated Statements of Comprehensive Income For the years ended December 31, 2020 and 2019

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

		2020		2019		Change
		Amount	%	Amount	%	%
	Revenue and income:					
41000	Interest income (note 6(af) and 10)	\$ 54,051,970	158	66,034,226	157	(18)
51000	Less:Interest expense (note 6(af) and 10)	(26,564,755)	(78)	(39,355,028)	(93)	(32)
	Net interest income (note 6(af))	27,487,215	80	26,679,198	64	3
	Non-interest income, net					
49100	Service fees ,net (note 6(ag) and 10)	4,832,319	14	5,174,087	12	(7)
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (note 6(ah) and 10)	56,523,035	166	48,786,406	116	16
49310	Realized gains from financial assets measured at fair value through other comprehensive income (note 6(ai))	3,545,905	10	3,580,638	8	(1)
49600	Foreign exchange gain (loss) (note 6(aj) and 10)	(4,406,124)	(13)	(203,841)	-	(2,062)
49700	Provision of impairment loss on assets (note 6(l) and (q))	(33,992)	-	(1,350)	-	(2,418)
49750	Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(j))	1,699,269	5	3,394,623	8	(50)
49837	Premiums loss (note 6(ak))	1,634,164	5	(1,160,160)	(3)	241
49843	Sales income (note 6(p) and (ak))	846,871	2	500,387	1	69
48054	Subsidized income from government (note 6(ak) and 16(c))	7,784,351	23	8,774,387	21	(11)
49898	Excess preferential interest expenses (note 6(g) and (ak))	(8,470,186)	(25)	(8,781,651)	(21)	4
49871	Provisions for policyholders' reserve premium (note 6(ak))	(57,438,873)	(167)	(45,358,797)	(108)	(27)
49899	Excess interest expenses (note 6(aa), (ak) and 10)	132,462		786,916	2	(83)
	Net Revenue	34,136,416	100	42,170,843	100	(19)
58200	Bad debt expense and reserve for guarantees (note 6(h))	310,089	1	7,345,228	17	(96)
	Expenses: (note 16(a))					
58500	Employee benefits expenses (note 6(z), (al) and 10)	13,528,451	40	13,144,881	31	3
59000	Depreciation and amortization expenses (note 6(am))	1,717,538	5	1,638,135	4	5
59500	Other general and administrative expenses (note 6(an) and 10)	6,237,727	18	6,831,443	16	(9)
	Total Expenses	21,483,716	63	21,614,459	51	(1)
	Profit from continuing operations before tax	12,342,611	36	13,211,156	32	(7)
61003	Less: Income tax expenses (note 6(ad))	827,431	2	1,820,743	4	(55)
	Net profit	11,515,180	34	11,390,413	28	1
65000	Other comprehensive income:					
65200	Components of other comprehensive income that will not be reclassified to profit or loss					
65201	Losses on remeasurements of defined benefit plans (note 6(ac))	(1,047,137)	(3)	(1,568,890)	(4)	33
65205	Change in fair value of financial liability attributable to change in credit risk of liability	23,007	-	(299,554)	(1)	108
65204	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(4,779,758)	(14)	16,242,122	39	(129)
65206	Share of other comprehensive income of associates and joint ventures accounted for using equity method,	(112,220)	-	832,580	2	(113)
65220	components of other comprehensive income that will not be reclassified to profit or loss					
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-		-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(5,916,108)	<u>(17</u>)	15,206,258	36	(101)
65300	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
65301	Exchange differences on translation of foreign financial statements	(1,084,186)	(3)	(445,785)	(1)	(143)
65308	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	1,066,457	3	821,721	2	30
65306	Share of other comprehensive income of associates and joint ventures accounted for using equity method,	(111,518)	-	213,814	1	(152)
65320	components of other comprehensive income that will be reclassified to profit or loss Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note	10,534		30,302		(65)
	6(ad)) Components of other comprehensive income that will be reclassified to profit or loss	(139,781)	_	559,448		(125)
65000	Other comprehensive income	(6,055,889)	(17)	15,765,706	38	(138)
02000	Total comprehensive income	\$ 5,459,291	17	27,156,119	66	(80)
	Basic earnings per share(In dollars) (note 6(ao))	\$ <u></u>	1.06	27,130,117	1.15	(00)
	Zante en image per sami e(in domais) (note o(no))	*	1.00		1.10	

Consolidated Statements of Changes in Equity For the years ended December 31, 2020 and 2019 (Expressed in Thousands of New Taiwan Dollars)

									Other equity interest	ity interest			
						ı	Exchange differences on	Unrealized gains (losses) on financial assets measured at fair	Change in fair		Other comprehensive		
	Share capital			Retained earnings	arnings		translation of foreign	value through other	nability attributable to	Gams (losses) on financial	mcome reclassified by		
	Ordinary			:	Undistributed		financial	comprehensive	change in credit	instruments for	applying overlay		
Balance at January 1, 2019	\$ 95,000,000	Capital surplus 80,453,043	42,037,924	33,103,998	earnings 17,619,742	92,761,664	(650,811)	42,375,680	risk of hability	hedging 4,193	approach (7,239)	41,914,338	310,129,045
Appropriation and distribution of retained earnings:													
Legal reserve appropriated			2,654,866		(2,654,866)								
Special reserve appropriated				3,539,881	(3,539,881)								
Cash dividends of ordinary share					(800,000)	(800,000)							(800,000)
Reversal of special reserve				(3,146)	3,146								
Other changes in capital surplus:													
Net income for the period					11,390,413	11,390,413							11,390,413
Other comprehensive income				·	(1,639,655)	(1,639,655)	(699,412)	18,370,191	(301,751)	(238)	36,571	17,405,361	15,765,706
Total comprehensive income					9,750,758	9,750,758	(699,412)	18,370,191	(301,751)	(238)	36,571	17,405,361	27,156,119
Capital increase based on land pricing	14,000,000	28,000,000											42,000,000
Disposal of investments in equity instruments designated at fair value through other comprehensive	9												
income					(6,050)	(0,050)		6,050				6,050	
Balance at December 31, 2019	109,000,000	108,453,043	44,692,790	36,640,733	20,372,849	101,706,372	(1,350,223)	60,751,921	(109,236)	3,955	29,332	59,325,749	378,485,164
Appropriation and distribution of retained earnings:													
Legal reserve appropriated			2,923,413		(2,923,413)								
Special reserve appropriated				3,897,974	(3,897,974)								
Cash dividends of ordinary share					(800,000)	(800,000)							(800,000)
Net income for the period					11,515,180	11,515,180							11,515,180
Other comprehensive income			٠		(1,090,906)	(1,090,906)	(1,457,046)	(3,541,734)	23,007	32	10,758	(4,964,983)	(6,055,889)
Total comprehensive income					10,424,274	10,424,274	(1,457,046)	(3,541,734)	23,007	32	10,758	(4,964,983)	5,459,291
Disposal of investments in equity instruments designated at fair value through other comprehensive	9.												
income					(372,816)	(372,816)		372,816				372,816	
Balance at December 31, 2020	\$ 109,000,000	108,453,043	47,616,203	40,538,707	22,802,920	110,957,830	(2,807,269)	57,583,003	(86,229)	3,987	40,090	54,733,582	383,144,455
						1							

See accompanying notes to consolidated financial statements.



Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019 (Expressed in Thousands of New Taiwan Dollars)

		2020	2019
Cash flows from (used in) operating activities:		10.040.611	12.211.156
Profit before tax Adjustments:	\$	12,342,611	13,211,156
Adjustments to reconcile profit (loss):			
Depreciation expense		1,422,486	1,373,149
Amortization expense		346,220	313,388
Expected credit loss		310,089	7,345,228
Interest expense		26,564,755	39,355,028
Interest income		(54,051,970)	(66,034,226)
Dividend income		(7,905,140)	(8,047,396)
Net change in other provisions		57,517,060	45,358,089
Share of profit of associates and joint ventures accounted for using equity method Loss on disposal of property and equipment		(1,699,269) 27,748	(3,394,623) 57,881
Impairment loss (Reversal profit) on financial assets		32,526	(981)
Impairment loss (neversal profit) on inflatellat assets		1,466	2,331
Total adjustments to reconcile profit		22,565,971	16,327,868
Changes in operating assets and liabilities:			
Decrease in due from the central bank and call loans to banks		(2,048,699)	(1,445,740)
Increase in financial assets measured at fair value through profit or loss		(82,853,097)	(9,965,223)
(Increase) decrease in financial assets measured at fair value through other comprehensive income		(11,415,864)	140,166,397
Decrease (increase) in investments in debt instruments measured at amortised cost		12,769,459	(8,723,585)
Decrease in financial assets for hedging		1,071	40,622
Decrease in receivables		1,525,067	2,494,367
Increase in discounts and loans Decrease in other financial assets		(193,366,892) 2,395,175	(126,391,557) 5,881,738
Increase in other assets		(2,023,287)	(2,913,765)
Increase in deposits from the central bank and banks		39,194,175	7,497,394
(Decrease) increase in financial liabilities measured at fair value through profit or loss		(27,946,569)	9,729,530
Increase in financial liabilities for hedging		24,357	12,564
Decrease in notes and bonds issued under repurchase agreement		(15,146,783)	(3,513,176)
Increase (decrease) in payables		3,074,187	(2,898,419)
Increase (decrease) in deposits and remittances		200,952,989	(53,953,251)
Increase in provisions for employee benefits		907,582	1,387,543
Decrease in other liabilities		(124,441)	(176,928)
Total adjustments		(51,515,599)	(26,443,621)
Cash outflow generated from operations Interest received		(39,172,988) 57,583,784	(13,232,465) 65,974,873
Dividends received		9,356,834	7,734,668
Interest paid		(31,835,537)	(38,395,725)
Income taxes paid		(1,601,174)	(1,384,557)
Net Cash flows from (used in) operating activities		(5,669,081)	20,696,794
Cash flows from (used in) investing activities:			
Acquisition of property and equipment		(1,933,440)	(793,968)
Proceeds from disposal of property and equipment		1,102	-
Increase in refundable deposits		(833,283)	- 226.712
Decrease in refundable deposits		(451.750)	236,713 (422,202)
Acquisition of intangible assets Net cash flows used in investing activities		(3,217,371)	(979,457)
Cash flows from (used in) financing activities:		(3,217,371)	(373,437)
Increase in due to the central bank and banks		15,849,400	_
Increase in guarantee deposits received		646,933	3,120,758
Payment of lease liabilities		(577,142)	(602,258)
Increase in other financial liabilities		-	283,696
Decrease in other financial liabilities		(37,868)	-
Cash dividends paid		(2,925,912)	(800,000)
Net cash flows from (used in) financing activities	_	12,955,411	2,002,196
Effect of exchange rate changes on cash and cash equivalents		(1,412,030)	(654,258)
Net increase in cash and cash equivalents Cash and cash equivalents at beginning of period		2,656,929 922,531,490	21,065,275 901,466,215
Cash and cash equivalents at neginning of period Cash and cash equivalents at end of period	•	922,331,490	922,531,490
Composition of cash and cash equivalents:	<u> </u>	/20,100,717	722,331,470
Cash and cash equivalents reported in the statement of financial position	\$	154,091,204	144,312,808
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	•	217,017,313	186,167,478
Other items qualifying for cash and cash equivalents under the definition of IAS 7		554,079,902	592,051,204
Cash and cash equivalents at end of period	\$	925,188,419	922,531,490
		·	

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements For the years ended December 31, 2020 and 2019 (Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business Scope

Bank and subsidiary (the Bank) was incorporated on May 20, 1946 and transformed into a corporate entity since July 1, 2003, as approved by the Ministry of Finance on April 24, 2003, and became a public company from September 16, 2004.

On November 18, 2005, the House of Administration (Executive Yuan) authorized the merger of the Bank and the Central Trust of China. The merger plan was approved by the Fair Trade Commission, the Executive Yuan, and the Ministry of Finance. On December 22, 2006, the Financial Supervisory Commission, Executive Yuan, reauthorized the merger and indicated the Central Trust of China was the dissolved party and the Bank was the surviving party. The merger was accomplished on July 1, 2007.

On January 1, 2008, the Ministry of Finance organized Taiwan Financial Holding Co., Ltd. in accordance with the Act of Taiwan Financial Holding Co., Ltd., and the Bank is its subsidiary.

On January 2, 2008, the Bank decreased its capital by \$8 billion and split off its part of business and assets to set up two other subsidiaries of Taiwan Financial Holding Co., Ltd. (Taiwan Financial Holdings): BankTaiwan Securities Co., Ltd. (BankTaiwan Securities) and BankTaiwan Life Insurance Co., Ltd. (BankTaiwan Life Insurance), whose capital was \$3 billion and \$5 billion, respectively.

The Bank is primarily involved in (a) all commercial banking operations allowed under the Banking Law; (b) foreign exchange operations allowed under the Foreign Exchange Regulation Act; (c) operations of offshore banking unit allowed under the Offshore Banking Act; (d) savings and trust operations; (e) overseas branch operations authorized by the respective foreign governments; and (f) other operations as authorized by the central competent authority in charge.

The Bank's Trust department is engaged in the planning, management and operation of trusts under the Banking Law and Trust Law, along with the investment of overseas securities and trust funds.

In accordance to the Bank's policy approved by the Government, the Bank's mission's is to perform all functions in providing stable financial environment, contribute to the economic infrastructure and develop manufacturing industries. The Bank manages public treasury and ensures the smooth settlement of national operations, which later translated into providing normal banking facilities and managing business operations associated with the issuance of banknotes as Central Bank of the Republic of China was later promulgated in July, 1961. The relationship between the Bank and the Central Bank remained closely attached. Among the financial institutions in Taiwan, the Bank has always maintained its importance in the financial industry.

The assets of the Bank have continuously increased through revaluations of its legal and special reserve over the period since the Government provided the capital for the establishment of the Bank. After the currency revolution in June 1949, the Government approved \$5 million as the Bank's capital in May 1950; \$100 million in May 1954; \$300 million in August 1963; \$600 million in September 1967; \$1 billion in May 1973; \$2 billion in September 1977; \$4 billion in September 1980; \$8 billion in November 1982; \$12 billion in May 1990; \$16 billion in April 1992; \$22 billion in December 1994; \$32 billion in August 1998; \$48 billion in September 2002; \$53 billion in July 2007; \$45 billion in January 2008; \$70 billion in November 2010; \$95 billion in October 2014 and \$109 billion in September 2019 .



As the Bank is funded by the government, the execution and compliance with government policies is of importance to the Bank. The economy of Taiwan has developed considerably from the 50s and the Bank has contributed by supporting the planning and implementation of many medium to long term infrastructure. Through the years, the Government has actively increased strategic and critical industrial development. The Bank has similarly increased its support for the fund needed for such infrastructure in compliance with the Government policy.

The Bank has its Head Office in Taipei, and the Bank has established domestic and worldwide branch offices for expansion of various banking services. As of December 31, 2020, in addition to the Department of Planning, Department of Corporate Finance, Department of Credit Management, Department of Loan Management, Department of Wealth Management, Department of Circulation, Department of Public Treasury, Department of Risk Management, Department of Business, Department of International Banking, Department of Trusts, Department of Electronic Banking, Department of Consumer Finance, Department of Treasury, Department of Real Estate Management, Department of Procurement, Department of Domestic Operations, Department of Government Employees Insurance, Department of Precious Metals, Department of Credit Analysis, Department of General Affairs, Secretariat, Department of Human Resources, Department of Ethics, Department of Accounting, Department of Economic Research, Department of Information Management, Department of Cyber Security, Department of Compliance, Board Secretariat, Department of Auditing Board of Directors and Training Institute. There were 163 domestic branches, 1 offshore banking unit, 11 overseas branches, 1 subbranch (in Shanghai Jiading), 9 representative offices (in Mumbai, Yangon and Silicon Valley, Bangkok, Frankfurt, Manila, Ho Chi Minh City, Djakarta and Kuala Lumpur).

The Bank invested \$20 million dollars to set up a subsidiary, BankTaiwan Insurance Brokers, which was approved on January 23, 2013 and officially set up on February 6, 2013.

The parent company of the Bank is Taiwan Financial Holding Co., Ltd.

The consolidated financial statements as of December 31, 2020 include the accounts of the Bank and subsidiary (hereby referred as the Bank and subsidiary).

(2) Financial statements authorization date and authorization process:

The Bank appointed certified public accountant to audit and certifie the consolidated financial statements in accordance with Article 49.3 in the Banking Act. The consolidated financial statements were authorized for issue by the Audit Committee and the Board of Directors on March 19, 2021.

Notes to the Consolidated Financial Statements

(3) New Standards, Amendments and Interpretations Adopted:

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

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

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

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(i).

The Bank and subsidiary has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$18,570 thousand.

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Bank and subsidiary's consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- (b) The impact of IFRS issued by the FSC but not yet effective

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

(i) Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16 relating to:

1) Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.



On December 31, 2020, the Bank and subsidiary has \$29,542 million bond and \$97,231 million loans and discounts sterling LIBOR. Notional \$1,754 million of derivative financial assets will be subject to LIBOR reform.

2) Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

On December 31, 2020, the Bank and subsidiary possessed notional 1,754 thousand derivative financial insruments sterling LIBOR for fair value hedges. The Bank and subsidiary expected to apply the amendments related to hedge accounting when LIBOR be replaced in interest rate benchmark reform.

3) Disclosure

The amendments will require the Bank and subsidiary to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

4) Transition

The Bank and subsidiary plans to apply the amendments from January 1, 2021. Application will not impact amounts reported for 2020 or prior periods.

(ii) Other amendments

The following amendments are not expected to have a significant impact on the Bank and subsidiary's consolidated financial statements.

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

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

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

the roc.		
Standards or Interpretations Amendments to IFRS 10 and	Content of amendment	Effective date per IASB
IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	determined by IASB
IFRS 17 "Insurance Contracts"	The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows:	January 1, 2023
	• Recognition: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group becomes due and when the group becomes onerous shall recognize a group of insurance contracts it issues from the earliest.	
	• Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk.	
	• Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded	

from insurance revenue.



Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 17 " Insurance Contracts "	The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to:	January 1, 2023
	 reduce costs by simplifying some requirements in the Standard; make financial performance easier to explain; and 	
	• ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.	

The Bank and subsidiary is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Bank and subsidiary completes its evaluation.

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

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 16 "Property, Plant and Equipmentt Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

(4) Significant accounting policies:

(a) Statement of compliance

The Bank and subsidiary are a public company. The Bank and subsidiary set up their accounting policies and prepared financial statements according to the Regulations Governing the Preparation of Financial Reports by Public Banks, the International Financial Reporting Standards, the International Accounting Standards and the IFRS interpretation.

The Bank and subsidiary are government owned enterprises, so its accounting practices mainly follow the Budget Law, Account Settlement Law and Uniform Regulations on Accounting Systems for Banks Governed by the Ministry of Finance (the MoF). The annual financial statements are audited by the Ministry of Audit (the MoA) to ensure that the Bank complies with the budget approved by the Legislative Yuan, the parliament of ROC Taiwan. The financial statements become final only after such an endorsement by the MoA.

The financial statements of 2019 have been certified by the MoA; hence, the opening balances in consolidated balance sheets of 2020 are according to the audited year-end balances of 2019. Please refer to Note 16(b) for the government audit adjustments.

(b) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Bank and subsidiary. The financial statements of its subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) List of subsidiaries in the consolidated financial statements

			Shareh	oldings		
			December	December		
Name of Investor	Name of Subsidiary	Principal activities	31, 2020	31, 2019	Note	
Bank of Taiwan	BankTaiwan Insurance Brokers	Life and Property	100.00 %	100.00 %		
	("BTIB")	insurance broker				

(c) Basis of preparation

(i) Basis of measurement

The consolidated financial statements are prepared on a historical cost basis, except for the following items.

- 1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
- 2) Financial assets measured at fair value through other comprehensive income;
- 3) Derivative financial instruments designated as hedges which are measured at fair value;
- 4) The defined benefit assets are recognized as plan assets, plus unrecognized past service costs and unrecognized actuarial loss, less the unrecognized actuarial gain and the present value of the defined benefit obligation.



(ii) Functional and presentation currency

The functional currency of the Bank's and subsidiary's entities are determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollars, the functional currency of the Bank. All financial information represented in New Taiwan Dollars has been rounded to the nearest thousand..

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Bank and subsidiary at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- 1) equity instruments measured at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Bank's and subsidiary's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Bank's and subsidiary's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Bank and subsidiary dispose of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Bank and subsidiary dispose of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Cash and cash equivalents

For consolidated balance sheets, Cash and cash equivalents include cash on hand, due from banks, demand deposits and highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of change in value. The aforementioned time deposits which are held for short-term cash commitment rather than investment or other purposes are recognized as cash equivalents.

For consolidated statement of cash flows, cash and cash equivalents refer to cash and cash equivalents presented in consolidated statement of balance sheet, deposit in the central bank, call loans to banks, and investments which are in accordance with the definition of cash and cash equivalents in the International Accounting Standards 7 accepted by the FSC.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank and subsidiary become a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

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



The Bank and subsidiary shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost (including cash and cash equivalent, placement with central bank and call loans to banks, discounts and loans, receivables, other financial assets and guarantee deposits paid)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- · it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income ("FVOCI")

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Bank and subsidiary may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Bank and subsidiary's right to receive payment is established.

3) Fair value through profit or loss ("FVTPL")

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Bank and subsidiary may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Bank and subsidiary make an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- · how the performance of the portfolio is evaluated and reported to the Bank's and subsidiary's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Bank's and subsidiary's continuing recognition of the assets.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.



In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank and subsidiary considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank and subsidiary consider:

- · contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- · prepayment and extension features; and
- terms that limit the Bank's and subsidiary's claim to cash flows from specified assets (e.g. non-recourse features)

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Bank and subsidiary transfer substantially all the risks and rewards of ownership of the financial assets.

The Bank and subsidiary enter into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Bank and subsidiary comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

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The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Bank and subsidiary derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank and subsidiary also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Bank and subsidiary currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

7) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.



Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(iii) Derivative financial instruments and hedge accounting

The Bank and subsidiary hold derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Bank and subsidiary choose to continue to apply the hedge accounting requirements of IAS 39.

The Bank and subsidiary designates certain hedging instruments as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At initial designated hedging relationships, the Bank and subsidiary document the risk management objectives and strategy for undertaking the hedge. The Bank and subsidiary also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged items and hedging instrument are expected to offset each other.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

(g) Investments in associates

Associate refers to an entity in which the Bank, TFH and its subsidiary hold 20% of the voting power or less than 20% of the voting power but have significant influence. If the Bank and subsidiary have rights on the finance and operating policy decisions but not control or joint control these decisions, it is presumed that the Bank and subsidiary have significant influence.

The Bank and subsidiary use equity method for investments in associates. Under the equity method, an equity investment is initially recorded at cost. In the subsequent period, the carrying amount of the investments is adjusted by the share of the profit or loss of the associate and the distributions received. Besides, the Bank and subsidiary recognize the changes according to the holding shares.

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If the Bank and subsidiary dispose the investment and loss significant influence, the residual investments shall be remeasured at fair value of the disposal date. The difference between the fair value of the residual investment plus the disposal price and the original carrying amount of the investment at that date is recognized in income statement. The related other comprehensive income is reclassified as profit or loss.

The associate issues additional share capital, but the Bank and subsidiary do not participate in the share issue on a pro-rata basis. It will lead to change in holding, but the Bank and subsidiary still have significant influence. As a result, the Bank and subsidiary shall adjust the APIC and investments in equity method accounts according to the changes in net assets of the associate.

Gains and losses resulting from transactions between the Bank and subsidiary and an associate are recognized only to the extent of unrelated the Bank's and subsidiary's interests in the associate.

When the Bank and subsidiary's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Bank and subsidiary have an obligation or have made payments on behalf of the investee.

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

When there is a change in use, the Bank and subsidiary treat the owner-occupied property as investment property; the property shall be reclassified to investment property at carrying amount from then on.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank and subsidiary.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property and equipment.

Land has an unlimited useful life and therefore is not depreciated.



The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Buildings 8 to 55 years

Machinery and equipment 2 to 20 years

Transportation equipment 2 to 15 years

Miscellaneous equipment 2 to 25 years

Leasehold improvements 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Lease

(i) Identifying a lease

At inception of a contract, the Bank and subsidiary assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank and subsidiary assesses whether:

- 1) the contract involves the use of an identified asset this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Bank and subsidiary have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Bank and subsidiary have the right to direct the use of the asset throughout the period of use only if either:
 - the Bank and subsidiary have the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the Bank and subsidiary have the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Bank and subsidiary designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Bank and subsidiary allocate the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a leasee

The Bank and subsidiary recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank's and subsidiary's incremental borrowing rate. Generally, the Bank and subsidiary use its incremental borrowing rate as the discount rate

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Bank and subsidiary's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.



When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank and subsidiary account for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank and subsidiary present right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Bank and subsidiary have elected not to recognize right-of-use assets and lease liabilities for short-term leases. The Bank and subsidiary recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Bank and subsidiary elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a leasor

When the Bank and subsidiary act as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank and subsidiary make an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank and subsidiary consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Bank and subsidiary choose not to allocate the consideration in the contract.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

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

(k) Intangible assets

(i) Computer Software

The Bank and subsidiary measure the computer software at cost less accumulated amortization and accumulated loss.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software

5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

Intangible asset is derecognized when disposed or expected that the usage or disposal will not generate economic benefit in the future. The resulted gain or loss is recognized in the income statement.



(1) Impairment of Assets

(i) Impairment of financial assets

The Bank and subsidiary recognize loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, placement with central bank and call loans to banks, amortized costs, discounts and loans, receivables, loans, margins or security deposits, and other financial assets) and debt investments measured at fair value through other comprehensive income.

At each reporting date, the Bank and subsidiary assess whether the credit risk of a financial asset has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition or the financial assets are credit impaired, the Bank and subsidiary should measure loss allowance for financial assets at an amount equal to lifetime ECL at each reporting date; if the credit risk has not increased significantly since initial recognition, the Bank and subsidiary measure loss allowance for financial assets as 12 month ECL at reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank and subsidiary are exposed to credit risk.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Bank and subsidiary in accordance with the contract and the cash flows that the Bank and subsidiary expect to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Bank and subsidiary recognize the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank and subsidiary determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank and subsidiary' procedures for recovery of amounts due.

The Bank and subsidiary categorize and recognize allowance for doubtful accounts according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and subsidiaries' own administration guideline. The Bank and subsidiary use the higher amounts of these two rules above as allowance for doubtful accounts.

Period of loans under one year is recognized as short-term; over one year but under seven years is recognized as medium-term; over seven years is recognized as long-term. Loans with fully mortgage, pledge or other legal guarantee object are recognized as secured loans. Non-performing loans refer to loans whose repayment of principal or interest have been overdue for more than 3 months, as well as any loan whose principal debtors and surety have been sued for non-payment or the underlying collateral has been disposed, although the repayment of principal or interest have not been overdue for more than 3 months. All non-performing loans shall be transferred to non-accrual loans account item within six months after the end of the payment period. However, those restructured loans to be performed in accordance with the agreement shall not be subject to this restriction. Interest shall not be accrued to non-performing loans that are transferred to non-accrual loans account item. However, loan collection shall continue as per the terms of the relevant agreement, and accrued interest shall continue to be posted to the interest column of the non-accrual loans account for each borrower, or a notation of such shall be made.

The write-off of non-performing loans and non-accrual loans shall be audited by auditing department, and then be authorized by the general manager and the Board of Managing Directors / Directors. Also, the audit committee shall be notified. If the write-off is authorized by the Board of Managing Directors, it should be reported to the Board of Directors for future reference additionally. When recovering non-accrual loans, the Bank should credit account "allowance for doubtful accounts."

(ii) Impairment loss of non financial assets

At each reporting date, the Bank and subsidiary reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.



(m) Provision

- (i) The Bank and subsidiary must recognize a provision if, and only if:
 - 1) There is a legal or constructive present obligation as a result of a past event, and
 - 2) Payment is probable, and
 - 3) The amount can be reliably estimated.
- (ii) The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching its best estimate, the Bank and subsidiary shall take into account the risks, uncertainties that surround the underlying events and the time value of the currency.
- (iii) The Bank and subsidiary evaluate the provision at every end of the reporting date, and adjust the carrying amount according to the best estimation.

(n) Other reserves

Provision for civil servants', teachers' and labor's insurance: The Bank recognizes the surplus of the insurance as provision and withdraws when there is a deficit according to the "Civil Servant and Teacher Insurance Act" and "Guidelines for Management and Employment of Public Servants and Teachers Insurance Reserve".

(o) Revenue and expense recognition

Revenue is measured based on the consideration to which the Bank and subsidiary expect to be entitled in exchange for transferring goods or services to a customer. The Bank and subsidiary recognize revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

- (i) Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary operating activities of an entity when those inflows result in increases in equity, other than increase relating to contributions from equity participants.
- (ii) The amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Revenue shall be recognized when all of the following criteria have been satisfied:
 - 1) the seller has transferred to the buyer the significant risks and rewards of ownership.
 - 2) it is probable that the economic benefits associated with the transaction will flow to the seller
 - 3) the costs incurred or to be incurred in respect of the transaction can be measured reliably,
 - a) the seller retains neither continuing managerial involvement to degree usually associated with ownership nor effective control over the goods sold, and

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- 4) the amount of revenue can be measured reliably.
- 5) Except for the financial assets and liabilities at fair value through profit and loss, the interest revenue and interest expense caused by the interest-bearing financial assets dr liabilities are calculated by effective interest method. For loans and receivables, the Bank and subsidiary shall consider the materiality principle to decide to measure the interest by agreed interest rate or effective interest rate.

(iii) Service fee income and expense

- 1) The service fee income arising from offering loan service or other services shall be recognized in the accounting period in which the services are rendered.
- 2) The service fee or expense arising from the loan service shall be amortized in the service period or taken into account for calculating the effective interest of loans and receivables in accordance with the materiality principle.
- (iv) Dividend revenue: it shall be recognized if and only if the Bank and subsidiary have right to receive the dividend revenue.
- (v) According to the "Civil Servant and Teacher Insurance Act", if GESSI experiences a loss, the loss before May 31, 1999 would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium.
- (vi) Revenue and expense that relate to the same transaction or other event are recognized simultaneously; this process is commonly referred to as the matching of revenue and expense.

(p) Employee benefit

(i) Short-term employee benefit

The payroll, annual bonus, paid annual leave, interest expense arising from preferential interest rate and non-monetary benefit are recognized in the accounting year in which the services are rendered by employees.

- (ii) Employee benefit
 - 1) Employee pension:

The grant of employees' pension compromise: a) the contributions made by the Bank at the rate from 4% to 8.5% of the employee's monthly wage (depending on the employee's 'salary point' and service period before the Labor Standards Act was applied) and the contributions made by the employee at the rate of 3% of his or her monthly wage under Article 9 and Article 8, respectively, of the aforementioned regulations. (The Bank ceased to continue the contributions mentioned above after the Labor Standards Act was applied.) The Bank also contributed 3% of the total amount of the wages as reserve. ;b) the contributions calculated based on the employee's monthly wage and service period (after May 1, 1997) in accordance with Article 41 and the related regulations set forth in the Labor Standards Act. All the contributions are made to the fund managed by the Pension Supervision Committee for future payments.



2) Labor pension:

Labor Pension is a defined contribution pension plan. The grant of labors' pension is conducted under the Bank's Work Rules before the Labor Standards Act was applied. Under Article 73 of the Rules, the service period before and after May 1, 1997 is accumulated in accordance with the Rules and the Labor Standard Act, respectively. The contributions calculated at a certain rate under Labor Pension are made to a designated Labor Retirement Reserve Account for future payments. In addition, the Bank is required to allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act effective July 1, 2005.

- 3) For defined contribution plan, the employer has no further legal or constructive obligation to pay further contributions in accordance with the Labor Pension Act.
- 4) For the definite benefit plan, the independent actuary of the Bank and subsidiary use the projected unit credit method to calculate the present value of the defined benefit obligation and the current service cost. The present value of the defined benefit obligation is the projected future cash flow discounted by the market yields at the end of the reporting period on the bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. Remeasurements of the net defined benefit liability (asset) include (a) actuarial gains or losses, (b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The amounts recognized in other comprehensive income will not be reclassified subsequently to profit or loss. The Bank and subsidiary could transfer the amounts recognized in other comprehensive income to equity. The Bank and subsidiary decided to recognize remeasurements of the defined benefit plan to retained earnings; actuarial gains or losses for practical experience or actuarial assumptions changes recognize to other comprehensive income immediately. Prior period servicing costs should recognize in profit or loss immediately. Defined benefit plan pension for period adopts pension cost rate determined by actuarial assumptions at prior reporting date and is calculated based on fiscal year. The pension also makes the adjustments to reflect significant market volatility, significant curtailment and settlement, or other significant nonrecurring matter after reporting date.
- 5) The oversea branches of the Bank abide by the foreign government's regulations.

(iii) Preferential interest deposits

1) The Bank and subsidiary provide their employees the preferential interest deposits, including that for current employees and retired employees. The difference between the preferential interest rate and the market rate are the employee benefit.

- 2) In accordance with the Article 28 of the Regulations Governing the Preparation of Financial Reports by the Public Banks, if the preferential interest rate for retired employees exceeds the market rate, the Bank and subsidiary shall calculate the excess interest using the actuarial method by adopting the IAS 19 when the employees retire. However the actuarial assumptions shall follow the government's related regulations. For the preferential interest deposits paid for current employees, the Bank and subsidiary shall calculate the interest monthly on accrual basis. The different amount of the preferential interest rate and market interest rate is recognized under the preferential interest account in the comprehensive Income statement.
- 3) As from July 1, 2018, the Bank and subsidiary terminate the preferential interest deposits for retired employees, in accordance with the rule Tai Tsai Ku No.10700624450 issued by the Ministry of Finance.

(iv) Other employee's retirement benefits

- 1) Include three Chinese festival gifts, survivors benefit, and special benefits to retired employees who were paid pension in early times.
- 2) It belongs to the definite benefit plan, and the independent actuary uses the projected unit credit method to calculate the present value of the defined benefit obligation and the current service cost. The present value of the defined benefit obligation is the projected future cash flow discounted by the market yields at the end of the reporting period on the bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. The actuarial gains and losses are recognized in the other comprehensive income when they occur.

(q) Income tax

In accordance with the Article 49 of the Financial Holding Company Act and the Income Tax Act, the TFH has elected to jointly file a profit-seeking enterprise income tax return since 2009. To file a joint return, each domestic subsidiary shall separately handle its own tax matters and then report the results to its parent company. Therefore, the Bank measures its income tax liabilities separately according to the IAS 12 "Income Tax" and then report them to the TFH for tax filing.

The Bank is a government-owned enterprise by the Ministry of Finance, so its income tax liabilities shall be calculated based on the amount audited by the Minster of Audit. In addition, according to the Tai Cai Shui No. 910456521 issued by Ministry of Finance on October 30, 2002, the Bank and its parent company, the TFH, who files a consolidated tax return are 100% owned by the government and hence it is not required to calculate and file the tax on the undistributed earnings or profits.

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.



The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Bank and subsidiary have a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

Basic earnings per share: The earnings per share is computed by dividing the net income or loss by the weighted average number of common stocks outstanding over the reporting term.

(s) Operating segments

An operating segment is a component of the Bank and subsidiary that engages in business activities that can generate revenues and expenses (including the revenues and expenses arising from intercompany transactions). The segments' operating results are reviewed regularly by the Bank's and subsidiary's chief operating officer in order to decide the resource allocation and assess the segments' performance. Each segment has separate financial information.

(5) Significant Accounting Judgments, Estimations, Assumptions, and Sources of Estimation Uncertainty:

The preparation of the financial statements, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC"), requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment of whether the Bank and subsidiary have substantive control over its investees

The Bank and subsidiary hold 21.37% of the outstanding voting shares of Tang Eng Iron Works Co., Ltd., 21.26% of Hua Nan Financial Holdings Co., Ltd., 17.84% of Taiwan Fire & Marine Insurance Co., Ltd., 16.21% of Taiwan Business Bank and 10.01% of Taiwan Stock Exchange Corporation and is the single largest shareholder of the investee. Although the rest of the above-mentioned company's shares are not concentrated within specific shareholders, the Bank and subsidiary still cannot obtain more than half of the total number of the above-mentioned company's directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Bank and subsidiary have no control on above of company and it is determined that whether the Bank and subsidiary have significant influence by holding over 20% of shares.

(b) The fair value valuation of non-active market or non-quoted financial instruments

The fair value of non active market or non quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model use only observable data as much as possible. But for credit risk (both our own and the contracting parties credit risk), the managements shall estimate the relation and the variation.

(c) The valuation of financial assets impairments

The financial asset impairments of the Bank and subsidiary (including gaurantees and loan commitments off balance sheet), measuring the loss allowance at an amount equal to 12 month expected credit losses or lifetime expected credit losses, are determined by whether the credit risk of the financial instruments have increased significantly since initial recognition. In order to measure expected credit losses, the Bank and subsidiary consider the probability of default ("PD") of financial asset, issuer or counterparty, and include loss given default ("LGD") multiplied by exposure at default ("EAD"). Meanwhile, it also considers the impact of the time value of money to calculate the expected credit losses for 12 month and lifetime, respectively. At every reporting date the historical experience, current market situation and forward looking estimates, etc. are considered by the Bank and subsidiary to determine the adopted assumptions and parameters when calculating impairment.

(d) Income tax

The Bank and subsidiary need to pay income tax for various countries. When estimating the globe income tax, the Bank relies on significant accounting estimations. Determine the final amount need to go through numerous transactions and calculations. The additional recognition of income tax liability which is related to the tax issue is based on deliberate evaluation of the affection by the issue. The difference between the amount of original estimation and the final amount will affect current income tax and deferred tax.



(e) Payments to defined contribution retirement benefit plans

The present value of retirement benefit obligation is based on several actuarial assumptions (including the decisions made by Financial Supervisory Commission, R.O.C.). Any changes on these assumptions will influence the fair value of the retirement benefit obligations. One of the assumptions used to determine net pension cost (income) is the discount rate. The Bank and subsidiaries determined the appropriate discount rate at the end of each year, and used the rate to calculate the present value of future cash flows on estimated payment of retirement benefit obligation. To determine the appropriate discount rate, the Bank should consider the followings: (1) interest rate of high quality corporate bonds or government bonds, (2) the currency used for the corporate bonds or government bonds should be inconsistent with the currency used for retirement benefit payments, (3) and the maturity period should be inconsistent with related pension liability periods. Significant assumptions used on retirement benefit obligations are based on current market conditions.

(6) Explanation of Significant Accounts:

(a) Cash and Cash Equivalents

	D	ecember 31, 2020	December 31, 2019
Cash on hand	\$	13,254,296	12,143,159
Foreign currency on hand		14,339,317	13,515,714
Notes and checks for clearing		4,641,210	4,456,443
Placement with banks		121,875,661	114,038,219
Cash in transit		-	178,426
Less: Allowance for bad debts – placement with banks		(19,280)	(19,153)
Total	\$	154,091,204	144,312,808

The balance of cash and cash equivalents presented in the statements of cash flows were as follows:

	December 31, 2020		December 31, 2019	
Cash and cash equivalents in consolidated balance sheets	\$	154,091,204	144,312,808	
Placement with the Central Bank of R.O.C. and other banks that meet the definition of cash and cash equivalents in IAS 7		217,017,313	186,167,478	
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7		554,079,902	592,051,204	
Total	\$	925,188,419	922,531,490	

The Bank and subsidiary assess the loss allowance for cash and cash equivalents by using the expected credit loss model. Due to the low credit risk of cash and cash equivalents, loss allowance is recognized based on 12 month expected credit loss.

(b) Placement with Central Bank and Call Loans to Banks

	D	ecember 31, 2020	December 31, 2019
Call loans to banks	\$	177,294,860	164,756,870
Less: allowance for doubtful accounts—call loans to banks		107,101	88,767
Deposit reserve – account A and account B		119,322,908	97,220,751
Deposit reserve - foreign - currency deposits		751,888	696,546
Deposits in Central Bank – oversea branches		1,892,003	4,513,352
Deposits in Central Bank		294,312,387	293,488,120
Total	\$ <u></u>	593,466,945	560,586,872

According to the Central Bank of the Republic of China Act and the Banking Act, the deposit reserves are determined monthly at prescribed rates based on the average balances of customers' New Taiwan Dollar denominated deposits. The account B deposit reserve is subject to withdrawal restrictions, but reserve for account A and foreign currency denominated deposit may be withdrawn anytime and are non interest earning.

Additionally, as of December 31, 2020 and 2019, 60% of the reserve deposits collected on behalf of a government institution amounting to \$5,112,387 thousand and \$4,288,120 thousand, respectively, were deposited in the Central Bank and their use is restricted according to the regulations.

For the purpose of coordinating with the Covid-19 relief package from the Central Bank and alleviating the economic impact, the bank and subsidiary applied to the Central Bank for project loans guaranteed by deposit deserve- account B. The amount been drawn down as of December 31, 2020, please refer to note 6(s).

(c) Financial Assets Measured at Fair Value through Profit or Loss

(i) Financial assets measured at fair value through profit or loss were as follows:

		December 31, 2020	December 31, 2019
Financial assets designated at fair value through profit or loss	\$	18,125,821	18,906,332
Add: Valuation adjustment	_	903,754	455,136
Subtotal	_	19,029,575	19,361,468
Financial assets mandatorily measured at fair value through profit or loss		205,469,695	170,511,365
Add: Valuation adjustment	_	101,939,163	54,321,096
Subtotal	_	307,408,858	224,832,461
Total	\$	326,438,433	244,193,929



(ii) Details of Financial assets designated at fair value through profit or loss were as follows:

	December 31, 2020		December 31, 2019	
Foreign government bonds, corporate bonds, financial bonds and others	\$	18,125,821	18,906,332	
Add: Valuation adjustment		903,754	455,136	
Total	\$	19,029,575	19,361,468	

(iii) Details of Financial assets mandatorily measured at fair value through profit or loss were as follows:

	December 31, 2020	December 31, 2019
Commercial papers	\$ 33,549,681	29,557,348
Foreign government bonds	-	89,235
Corporate bonds	408,389	715,023
Convertible bonds	2,264,583	2,152,504
Stocks and beneficiary certificates	169,189,399	137,937,498
Foreign exchange call options	1,950	3,063
Currency futures	5,195	5,154
Commodity futures	50,498	51,540
Add: Valuation adjustment—Non derivative financial instruments	90,361,456	43,681,091
Valuation adjustment — Foreign exchange call options	(248)	3,790
Valuation adjustment - Cross currency swaps	87,349	29,767
Valuation adjustment — Swaps	10,074,816	9,204,550
Valuation adjustment — Asset swaps	1,244,816	1,240,176
Valuation adjustment — Interest rate swaps	496	51,026
Valuation adjustment — Forward foreign exchange	177,934	113,844
Valuation adjustment — fixed-rate commercial papers	(7,456)	(3,148)
Total	\$ <u>307,408,858</u>	224,832,461

(iv) Details of unexpired derivative financial instruments (Notional principal amount) were as follows:

	December 31, 2020		December 31, 2019	
Foreign exchange call options	\$	498,163	980,913	
Swaps		440,324,029	479,981,365	
Interest rate swaps		281,000	15,173,142	
Forward foreign exchange		8,542,598	12,064,801	
Fixed-rate commercial papers		800,000	200,000	
Asset swaps		14,303,927	43,366,828	
Cross currency swaps		1,086,400	1,086,400	
Total	\$	465,836,117	552,853,449	

- (v) For details of the valuation of the financial assets measured at fair value through profit or loss, please see note 7, "The Fair Value and Fair Value Hierarchy of the Financial Instruments".
- (vi) Profit and loss on investments, please refer to note 6(ah).
- (vii) As of December 31, 2020, the Bank's and subsidiary's financial assets at fair value through profit or loss neither served as a guarantee or collateral, nor were they pledged.
- (d) Financial Assets at Fair Value through Other Comprehensive Income

	December 31, 2020		December 31, 2019	
Debt instruments measured at fair value through other comprehensive income:				
Negotiable certificates deposits	\$	666,115,000	718,770,000	
Government bonds		49,830,499	54,402,969	
Foreign government bonds, corporate bonds, financial bonds, and NCDs		87,410,468	79,659,961	
Financial bonds		22,419,235	17,718,644	
Corporate bonds		70,228,610	45,389,607	
Financial asset securitization beneficiary certificates		-	250,716	
Add: Valuation adjustment	_	2,661,929	1,602,351	
Subtotal		898,665,741	917,794,248	
Equity instruments measured at fair value through other comprehensive income:				
Stocks		40,176,972	38,479,456	
Add: Valuation adjustment	_	52,225,201	56,804,422	
Subtotal		92,402,173	95,283,878	
Total	\$	991,067,914	1,013,078,126	



(i) Debt investments at fair value through other comprehensive income

The Bank and subsidiary have assessed that the securities shown above are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities; therefore, they have been classified as debt investments at fair value through other comprehensive income.

(ii) Equity investments at fair value through other comprehensive income

The Bank and subsidiary designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Bank and subsidiary intend to hold for long term for strategic purposes.

- 1) During the years ended December 31, 2020 and 2019, the dividends of \$3,184,423 thousand and \$3,184,773 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended December 31, 2020 and 2019, were recognized; the dividend of \$116,007 thousand and \$109,193 thousand related to the investments derecognized during the years ended December 31, 2020 and 2019, respectively, were recognized.
- 2) As of December 31, 2020 and 2019, the Bank and subsidiary sold its equity instruments measured at fair value through other comprehensive income as a result of adjustment in investment position and portfolio management. The equity instruments sold had a fair value of \$2,808,112 thousand and \$2,756,836 thousand the Bank and subsidiary realized a (loss) gain of \$(200,536) thousand and \$90,146 thousand, which was already included in other comprehensive income. The (loss) gain has been transferred to retained earnings.
- (iii) Profit and loss on investments, please refer to 6(aj).
- (iv) As of December 31, 2020, the Bank's and subsidiary's financial assets at fair value through other comprehensive income were used as collateral, please refer to 11.
- (e) Hedging Derivative Financial Instruments

The details of hedging derivatives financial assets were as follows:

		1ber 31, 120	December 31, 2019
Fair value hedges:			
Interest rate swap	\$	-	1,071
The details of hedging derivatives financial	liabilities were as follows:		
		nber 31, 020	December 31, 2019
Fair value hedges:			
Interest rate swap	\$	49,894	25,537

In order to decrease the fair value volatility caused by changes of market interest rate, the Bank uses interest rate swaps and asset swaps for some debt investments with fixed interest rate. In doing so, the risk exposure position will be calculated by floating interest rate and the interest rate risk will be hedge.

		Hedging Investments			
		Fair Value			
Hedged Item	Designated Hedging Instruments		December 31, 2020	December 31, 2019	
USD financial bonds	Interest rate swap	\$	(49,771)	(22,055)	
USD corporate debts	"		(123)	(2,849)	
USD government debts	"		-	438	

The net loss of hedging instruments for the years ended December 31, 2020 and 2019 amounted to \$44,188 thousand and \$58,149 thousand, respectively. The net gains of hedged items embedded in hedging instrument for the years ended December 31, 2020 and 2019 amounted to \$23,952 thousand and \$53,890 thousand, respectively.

(f) Bills and Bonds Sold under Repurchase Agreements

The details of bonds and bills sold under repurchase agreements were as follows:

	December 31, 2020		December 31, 2019	
Bills and bonds sold under repurchase agreements:				
Commercial papers	\$	29,984	29,973	
Government bonds		4,451,906	19,744,196	
Financial bonds		1,936,198	1,790,702	
Total	\$	6,418,088	21,564,871	



(g) Receivables, Net

	December 31, 2020	December 31, 2019	
Notes receivable	\$ 634	4,722	
Accounts receivable	963,393	1,100,258	
Long-term receivables — payment on behalf of the government	15,592,889	16,350,219	
Accrued revenues	1,139,543	1,121,473	
Interests receivable	11,081,853	14,613,667	
Premiums receivable	110,495	139,660	
Tax refund receivable	510	-	
Acceptance notes receivable	2,258,954	1,188,566	
Accounts receivable factoring without recourse	9,753,258	12,132,076	
Others – replenishment of national treasury	8,034,163	7,362,748	
Others—undelivered spot exchanges	-	585	
Other – ATM temporary receipts, payments and interbank differences	2,076,853	2,291,552	
Others – FX Swaps	68,342	1,709,202	
Others—pending settlement	2,035,870	414	
Others—others	467,353	625,849	
Subtotal	53,584,110	58,640,991	
Less: allowance for doubtful accounts	127,151	130,717	
Total	\$53,456,959	58,510,274	

In accordance with Executive Yuan Tai-79-JEN-Cheng-SZU-tsu No. 14525, and regulations of Retired Civil Servants Lump-sum Retirement Payment and Old-age Benefits and Preferential Interest Deposits which excess preferential interest expenses recognized as Excess interest expenses of Non-interest income, net were \$5,931,823 thousand and \$6,375,883 thousand, respectively, due to executing the government premium savings policy.

As of the year ended December 31, 2020 and 2019, the Bank had paid the following premium savings interest expenses on behalf of the government:

	Do	ecember 31, 2020	December 31, 2019
Long-term receivables	\$	15,592,889	16,350,219
Short-term advances (booked under other financial assets, net)		35,259,584	37,867,323
Total	\$	50,852,473	54,217,542

(h) Loans and Discounts, Net

	December 31, 2020	December 31, 2019
Discounts and export / import negotiations	\$ 2,460,383	2,044,282
Overdrafts	14,957,375	16,254,366
Secured overdrafts	1,166,349	492,292
Short-term loans	672,839,134	642,288,572
Short-term secured loans	95,902,506	97,906,746
Accounts receivable financing	113,974	128,708
Accounts receivable secured financing	3,397	5,138
Medium-term loans	566,538,267	551,295,477
Medium-term secured loans	309,652,912	256,957,025
Long-term loans	161,650,023	155,857,007
Long-term secured loans	1,085,390,709	994,900,665
Non-performing loans	3,195,394	3,154,429
Subtotal	2,913,870,423	2,721,284,707
Less: allowance for doubtful accounts	44,665,903	45,143,483
Total	\$ <u>2,869,204,520</u>	2,676,141,224

Details of bad debt expenses and provisions for guarantee liabilities were as follows:

	 2020	2019
Bad debts	\$ 239,706	7,289,887
Provisions for guarantee liabilities	77,477	59,273
Provision for loan commitment liabilities	(2,574)	4,075
Provision for other liabilities	 (4,520)	(8,007)
Total	\$ 310,089	7,345,228

As of December 31, 2020 and 2019, the amounts of loans and receivables on which the interests stopped to accrue were \$3,199,386 thousand and \$3,158,657 thousand, respectively, which were booked under loans and discounts—non-performing loans and other financial assets-overdue receivables. As of December 31, 2020 and 2019, the non accrued interests were \$195,791 thousand and \$210,538 thousand, respectively.

For the date as above, the Bank did not write off any loan without legal proceedings having been initiated.



(i) Financial Assets Measured at Amortized Cost

	December 31,		December 31,	
		2020	2019	
Negotiable certificates deposits	\$	1,304,570	1,305,899	
Commercial papers		23,259,650	36,894,248	
Government bonds		76,322,371	76,136,339	
Foreign government bonds, corporate bonds, financial bonds, and NCDs		33,535,027	40,840,868	
Financial bonds		13,541,436	15,061,457	
Corporate bonds		8,170,111	7,011,071	
		156,133,165	177,249,882	
Less: accumulated impairment		(40,113)	(43,107)	
	\$	156,093,052	177,206,775	

The Bank and subsidiary have assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- (i) During 2020 and 2019, the Bank and subsidiary haven't deposed financial assets measured at amortized cost.
- (ii) As of December 31, 2020, the Bank's financial assets measured at amortized cost were not used as collateral, please refer to 11.
- (j) Investments Accounted for Using Equity Method, net

	 December 31, 2020		December	31, 2019
		Percentage of		Percentage of
Associates	Amount	Ownership (%)	Amount	Ownership (%)
Hua Nan Financial Holdings Co., Ltd.	\$ 40,210,042	21.23	40,060,693	21.23
Tang Eng Iron Works Co., Ltd.	901,078	21.37	1,027,317	21.37
Tai Yi Real Estate Management Co., Ltd.	 22,203	30.00	21,476	30.00
	\$ 41,133,323		41,109,486	

(i) The Bank use equity method for investments in associates and the other comprehensive income:

	2020	2019
Hua Nan Financial Holdings Co., Ltd.	\$ (239,753)	1,035,818
Tang Eng Iron Works Co., Ltd.	 16,015	10,576
Total	\$ (223,738)	1,046,394

(ii) The Bank use equity method for investments in associates, and Investment gains and losses recognized in the following table:

	 2020	2019
Hua Nan Financial Holdings Co., Ltd.	\$ 1,837,155	3,387,382
Tang Eng Iron Works Co., Ltd.	(142,254)	3,196
Tai Yi Real Estate Co., Ltd.	 4,368	4,045
Total	\$ 1,699,269	3,394,623

(iii) Individually significant associate(s)

The Bank acquired up to 21.23% voting rights of outstanding shares of Hua Nan Financial Co., Ltd. on December 27, 2011, from which, its significant the influence has commenced. Hence, the investment has been accounted for using the equity method. Related information was as follows:

			The perc shareholdin and voti	0
Associate(s)	The relationship with the Bank	Principal operating place/registration country	December 31, 2020	December 31, 2019
Hua Nan Financial Holdings Co., Ltd.	Enterprises permitted to invest Financial Holding Company Act, such as banks and bill finance companies	Taiwan	21.23 %	21.23 %

The fair value of the equity accounting for listed companies (major associates) is as follows:

		D	December 31, 2020	December 31, 2019
Hua	a Nan Financial Holdings Co., Ltd.	\$	49,808,454	56,857,351
1)	Summarized Financial Information			
		D	ecember 31, 2020	December 31, 2019
	Total Assets	\$	3,101,082,238	2,731,828,227
	Total Liabilities		(2,911,678,248)	(2,543,127,570)
	Net Assets	\$	189,403,990	188,700,657
	Attributable to the Bank	\$	40,210,042	40,060,693



	2020		2019	
Net income	\$	8,653,178	15,955,368	
Other comprehensive income		(1,129,313)	4,879,056	
Total comprehensive income	\$	7,523,865	20,834,424	
Attributable to the Bank				
Investment income	\$	1,837,155	3,387,382	
Other comprehensive income		(239,753)	1,035,818	

- 2) There are no significant restrictions on the ability of Hua Nan Financial Holding Co., Ltd. to transfer funds to its investors by distributing dividends, or repaying loans or advances.
- 3) The summarized financial information of Hua Nan Financial Holding Co., Ltd. has been adjusted to align its accounting results with those of the Bank accounted for using the equity method.
- 4) Hua Nan Financial Holdings Co.,Ltd.'s financial statements were audited by other auditors. The related investment (losses) gains were \$1,837,155 thousand and \$3,387,382 thousand for the years ended December 31, 2020 and 2019, respectively.
- (iv) All other non-individually-significant associates
 - 1) Summarized Financial Information- Attributable to the Bank

	December 31, 2020		December 31, 2019
Investment in non-individually-significant associates in aggregate	\$	923,281	1,048,793
		2020	2019
Investment income	\$	(137,886)	7,241
Other comprehensive income		16,015	10,576

(v) Collateral

No investment in associates was used as collateral of December 31, 2020.

(k) Other Financial Assets, net

	D	ecember 31, 2020	December 31, 2019
Short-term advances	\$	37,529,779	40,091,153
Less: allowance for doubtful accounts — short-term advances		39,967	44,363
Remittances purchased		1,454	2,316
Less: allowance for doubtful accounts—remittances purchased		15	23
Overdue receivables		3,992	4,228
Less: allowance for doubtful accounts – overdue receivables		3,992	4,199
Call loans to security subsidiary		252,900	89,970
Less: allowance for doubtful accounts—call loans to security subsidiary		-	(6)
Others		(19,129)	(19,379)
Less: accumulated impairment – others		10	10
Total	\$	37,763,270	40,158,445

Concerning for the payment of excess preferential interest on behalf of the government, booked under "short-term advances" for December 31, 2020 and 2019, please refer to note 6(g) for further information.

(l) Property and Equipment, net

Changes in the cost, depreciation, and impairment of the properties and equipments of the Bank and subsidiary for the years ended December 31, 2020 and 2019 were as follows:

Cost:	<u>in</u>	Land and Land nprovements	Buildings	Machineries and equipments	Transport equipments	Miscellaneous equipments	Leasehold improvements	Constructions in progress and prepayments for equipments	Total
Balance at January 1, 2020	\$	128,108,627	14,998,523	6,053,849	1,109,780	956,975	850,317	395,359	152,473,430
Additions		-	23,296	791,852	110,598	31,293	7,859	968,542	1,933,440
Disposals		(1,325)	(118,235)	(229,129)	(92,326)	(60,754)	(483)	-	(502,252)
Reclassification		-	322,616	35,081	2,490	23,646	12,724	(424,378)	(27,821)
Effect of change in exchange rates	_	-	-	(7,041)	(1,790)	(2,072)	(6,584)		(17,487)
Balance at December 31, 2020	\$_	128,107,302	15,226,200	6,644,612	1,128,752	949,088	863,833	939,523	153,859,310
Balance at January 1, 2019	\$	86,136,374	14,802,184	5,840,176	1,085,817	959,457	820,099	735,744	110,379,851
Additions		42,000,000	8,610	490,380	80,897	24,870	20,790	168,421	42,793,968
Disposals		(27,747)	(118,764)	(376,306)	(67,971)	(39,563)	(18,839)	-	(649,190)
Reclassification		-	306,493	101,637	11,537	12,772	31,111	(508,806)	(45,256)
Effect of change in exchange rates	_		-	(2,038)	(500)	(561)	(2,844)		(5,943)
Balance at December 31, 2019	\$_	128,108,627	14,998,523	6,053,849	1,109,780	956,975	850,317	395,359	152,473,430



Accumulated depreciation:	<u>in</u>	Land and Land nprovements	Buildings	Machineries and equipments	Transport equipments	Miscellaneous equipments	Leasehold improvements	Constructions in progress and prepayments for equipments	Total
Balance at January 1, 2020	\$	14,966	7,391,523	4.465,588	818.129	782.645	745,577		14,218,428
Depreciation	φ	14,500	306,011	413,071	49,480	29,507	35,900		833,969
Disposal			(118,084)	(207,944)	(90,677)	(56,214)			(473,402)
Effect of change in exchange rates			(110,004)	(4,194)	(1,226)	(1,596)	(5,261)		(12,277)
Balance at December 31, 2020	\$	14,966	7,579,450	4,666,521	775,706	754,342	775,733		14,566,718
Balance at January 1, 2019	- - -	14,966	7,219,833	4,429,699	840,946	789,984	733,527	===	14,028,955
Depreciation	-		290,294	388,861	44,210	28,669	33,413	-	785,447
Disposal		_	(118,604)	(351,624)	(66,684)	(35,481)		-	(591,232)
Effect of change in exchange rates		_	-	(1,348)	(343)	(527)	` ′ ′	_	(4,742)
Balance at December 31, 2019	s	14,966	7,391,523	4,465,588	818,129	782,645	745,577		14,218,428
Accumulated impairment:	=								
Balance at January 1, 2020	\$	126,084	-	-	-	-	-	-	126,084
Reversal of impairment loss		1,553	-	-	-	-	-	-	1,553
Balance at December 31, 2020	\$	127,637	-						127,637
Balance at January 1, 2019	\$	124,869	-	-	-			-	124,869
Reversal of impairment loss		1,215	_	-	-	-	-	-	1,215
Balance at December 31, 2020	\$	126,084							126,084
Carrying amounts:	=								
December 31, 2020	\$_	127,964,699	7,646,750	1,978,091	353,046	194,746	88,100	939,523	139,164,955
January 1, 2019	\$	85,996,539	7,582,351	1,410,477	244,871	169,473	86,572	735,744	96,226,027
December 31, 2019	\$	127,967,577	7,607,000	1,588,261	291,651	174,330	104,740	395,359	138,128,918

The Bank and subsidiary conducted revaluations of land and buildings for many times over the past years, and the latest time was in December, 2011. As of December 31, 2020 and 2019, the total revaluation increments for land were \$81,562,920 thousand and \$81,563,186 thousand, respectively. The total revaluation increments for Buildings were \$34,307 thousand, both.

Based on the assessment in December, 2020, the carrying amount of the lands which have indicators of impairment was determined to be \$169,852 thousand higher than its recoverable amount of \$168,299 thousand, wherein an impairment loss of \$1,553 thousand was recognized. In 2019, the carrying amount of the lands which have an indicator of impairment was determined to be \$171,067 thousand lower than its recoverable amount of \$169,852 thousand. Therefore, the amount of \$1,215 thousand, which was initially recognized as impairment, has been reversed.

The recoverable amount was determined by using the fair value, less, cost of disposal or recent government assessed land value. The fair value is based on the market price of comparable properties within the same location. The cost of disposal is the land value increment tax payable. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

As of December 31, 2020 and 2019, the Bank's and subsidiary's properties and equipments neither served as guarantees or collaterals, nor they were pledged.

(m) Right-of-use assets

The Bank and subsidiary lease many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Bank and subsidiary as a lessee is presented below:

		Land	Buildings	Machineries and equipment	Transportation equipment	Miscellaneous equipment	Total
Cost:							
Balance at January 1, 2020	\$	20,489	2,003,774	31,229	97,150	-	2,152,642
Additions		3,648	407,792	6,332	36,667	-	454,439
Disposal		(6,786)	(154,581)	(11)	(21,296)	-	(182,674)
Effect of changes in exchange rates	_	(14)	(11,378)	(181)			(11,573)
Balance at December 31, 2020	\$	17,337	2,245,607	37,369	112,521	<u> </u>	2,412,834
Balance at January 1, 2019	\$	-		-	-	-	-
Effects of retrospective application	_	11,283	1,690,061	22,219	39,852	52	1,763,467
Balance at January 1, 2019		11,283	1,690,061	22,219	39,852	52	1,763,467
Additions		9,666	346,453	9,122	61,140	-	426,381
Disposal	_	(460)	(32,740)	(112)	(3,842)	(52)	(37,206)
Balance at December 31, 2019	\$	20,489	2,003,774	31,229	97,150		2,152,642
Accumulated depreciation and impairment losses:	_						
Balance at January 1, 2020	\$	4,494	505,824	6,340	32,497	-	549,155
Depreciation		5,080	537,935	8,939	36,563	-	588,517
Disposal		(1,960)	(144,292)	(11)	(21,296)	-	(167,559)
Effect of changes in exchange rates	_	(3)	(4,313)	(38)			(4,354)
Balance at December 31, 2020	\$	7,611	895,154	15,230	47,764	<u> </u>	965,759
Balance at January 1, 2019	\$	-	-	-	-	-	-
Depreciation		4,941	539,950	6,420	36,339	52	587,702
Disposal		(451)	(32,826)	(73)	(3,842)	(52)	(37,244)
Effect of changes in exchange rates	_	4	(1,300)	(7)			(1,303)
Balance at December 31, 2019	\$	4,494	505,824	6,340	32,497	<u> </u>	549,155
Carrying value:	_						
December 31, 2020	\$	9,726	1,350,453	22,139	64,757		1,447,075
December 31, 2019	\$	15,995	1,497,950	24,889	64,653		1,603,487

(n) Investment property

(i) Changes in the investment properties of the Bank and subsidiary for the year ended 2020 were as follows:

	 Land
Cost:	
Balance at December 31, 2020	\$ 15,238,207
Balance at December 31, 2019	\$ 15,238,207
Carrying amounts:	
December 31, 2020	\$ 15,238,207
January 1, 2019	\$ 15,238,207
December 31, 2019	\$ 15,238,207



The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

(ii) The fair value of investment property of the Bank and subsidiary were as follows:

	De	December 31,		
		2020	2019	
The fair value of investment property	<u></u>	16,301,209	15,219,056	

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The management evaluate and measure the effect of using techniques of comparison approach or Land development analysis approach. After evaluating, the bank make judgment about the assessment that is using to align the market participants.	 The rate of return Overall capital interest rate 	The estimated fair value would increase (decrease) if: the rate of return were lower (higher); or the overall capital interest rate were lower (higher).

The investment property measured at cost, and the fair value is recoverable amount of impairment testing. The fair value of investment property is used the comparison approach and land development analysis approach, and excuting assessment reference recent market price, the valuation technique is consistency from investment property of acquisition. After evaluating, the Bank did not recognized impairment loss.

(iii) As of December 31, 2020 the Bank did not provide any investment accounted for using equity method as collaterals for its loans.

(o) Intangible Assets

Changes in costs, amortization, and impairment loss of the intangible assets of the Bank and subsidiary for the year ended 2020 and 2019 were as follows:

	Computer software			
Costs:				
Balance at January 1, 2020	\$	4,257,010		
Additions		451,750		
Balance at December 31, 2020	\$	4,708,760		
Balance at January 1, 2019	\$	3,834,808		
Additions		422,202		
Balance at December 31, 2019	\$	4,257,010		
Amortization:				
Balance at January 1, 2020	\$	3,383,213		
Amortization for the year		344,680		
Balance at December 31, 2020	\$	3,727,893		
Balance at January 1, 2019	\$	3,069,872		
Amortization for the year		313,341		
Balance at December 31, 2019	\$	3,383,213		
Carrying amounts:		_		
December 31, 2020	\$	980,867		
January 1, 2019	\$	764,936		
December 31, 2019	\$	873,797		

(p) Other Assets

	Do	ecember 31, 2020	December 31, 2019
Foreclosed collaterals and residuals taken over, net	\$	1,009,493	1,079,309
Advance payments		9,941,404	7,711,657
Operating guarantee deposits and settlement funds		10,000	10,000
Refundable deposits		2,298,172	1,464,889
Temporary Payments and Suspense Accounts		2,859,185	573,883
Inventories		396,343	716,557
Others		247	288
Total	\$ <u></u>	16,514,844	11,556,583
(i) Foreclosed collaterals and residuals taken over, net			

Foreclosed collaterals and residuals taken over

(Continued)

1,079,309

December 31,

2019

December 31,

2020

1,009,493



(ii) Advance payments

		De	cember 31, 2020	December 31, 2019
	Prepaid expenses	\$	118,573	260,863
	Prepaid interests		9,777	9,968
	Business tax carry forward		678	810
	Other prepayment — Interbank Fund Transfer Special Accounts		7,602,154	7,380,247
	Other prepayments		84,310	59,769
	Prepaid official dividends		2,125,912	
	Total	\$	9,941,404	7,711,657
(iii)	Inventories			
		De	cember 31, 2020	December 31, 2019
	Inventories	5	396,343	716,557

There were no effects on the cost of goods sold derived from the inventory write-off or reversal for the year ended 2020 and 2019.

(q) Impairment

For the year ended 2020 and 2019, the movements of the accumulated impairment were as follows:

		2020	2019
Beginning balance	\$	263,990	261,916
Impairment loss recognized for the current period		33,992	1,350
Other		(5,419)	724
Ending balance	\$	292,563	263,990
Details of accumulated impairment were as follows:			
	De	ecember 31, 2020	December 31, 2019
Financial assets at fair value through other comprehensive income	\$	119,768	89,278
Financial assets measured at amortized cost		40,113	43,107
Other financial assets		10	10
Property and equipment		127,637	126,084
Other assets		5,035	5,511
Ending balance	\$	292,563	263,990

(r) Deposits of Central Bank and other banks

Loans to Central Bank

		D	ecember 31, 2020	December 31, 2019
	Deposits from Central Bank	\$	11,755,517	11,296,302
	Deposits from banks—others		48,799,116	50,127,068
	Postal deposits transferred		77,090	77,090
	Bank overdrafts		865,759	2,062,798
	Call loans from bank		206,950,226	165,690,275
	Total	\$	268,447,708	229,253,533
(s)	Loans to Central Bank and banks			
		D	ecember 31, 2020	December 31, 2019

- (t) Financial Liabilities Measured at Fair Value through Profit or Loss
 - (i) Details of financial liabilities measured at fair value through profit or loss were as follows:

	De	ecember 31, 2020	December 31, 2019
Financial liabilities held for trading	\$	2,811	4,148
Add: valuation adjustment		17,770,162	14,080,348
Subtotal		17,772,973	14,084,496
Financial liabilities designated as fair value through profit or loss		13,207,000	44,985,000
Add: valuation adjustment		1,357,305	1,214,351
Subtotal		14,564,305	46,199,351
Total	\$	32,337,278	60,283,847

- (ii) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 7 "Fair Value And Fair Value Hierarchy of the Financial Instruments".
- (iii) Financial liabilities held for trading

	D	ecember 31, 2020	December 31, 2019
Foreign exchange options premium	\$	2,811	4,148
Add: valuation adjustment			
Foreign exchange options premium		(1,106)	2,702
Swaps		15,910,715	13,008,631
Interest rate swaps		959,737	429,439
Forward foreign exchanges		177,307	94,477
Asset swaps		636,341	515,732
Cross currency swaps		87,168	29,367
Total	\$	17,772,973	14,084,496
			(Continued)



(iv) The details of the financial liabilities designated as fair value through profit or loss were as follows:

	De	ecember 31, 2020	December 31, 2019
Financial bonds	\$	13,207,000	44,985,000
Add: valuation adjustment		1,357,305	1,214,351
Total	\$	14,564,305	46,199,351

The Bank has been approved by the FSC on August 23, 2016, and November 21, 2017 to issue USD \$1.5 billion of 2017-1 Senior Unsecured Financial Bonds, denominated in U.S. dollar. The financial bonds amounted to USD \$4.7 billion are outstanding in 2020.

The details of the financial bonds were as follow:

		Co	nditions		Bond			
Name of bond	Beginning date	Maturity date	Coupon rate	Face value	Туре		Am	ount
						Do	ecember 31, 2020	December 31, 2019
2017-1 Senior unsecured financial bonds-A	2017/04/07	2147/04/07	0 %	USD \$500 million	Senior unsecured financial bond	\$	-	14,995,000
2017-1 Senior unsecured financial bonds-B	2017/04/07	2147/04/07	0 %	USD \$380 million	Senior unsecured financial bond			11,396,200
2018-1 Senior unsecured financial bonds-A	2018/02/26	2148/02/26	0 %	USD \$150 million	Senior unsecured financial bond			4,498,500
2018-1 Senior unsecured financial bonds-B	2018/02/26	2148/02/26	0 %	USD \$470 million	Senior unsecured financial bond		13,207,000	14,095,300
				Valuation adjustment	t	_	1,357,305	1,214,351
						\$	14,564,305	46,199,351

For the bonds issued in 2017, the call option may be exercised 2 years for bond A, and 3 years for bond B, after the issuing date. If the call options are not exercised prior to the bonds maturity date, the Bank will pay the principal and interests accrued in full upon maturity. For the bonds issued in 2018, the call option may be exercised 2 years for bond A, and 5 years for bond B, after the issuing date. If the call options are not exercised prior to the bonds maturity date, the Bank will pay the principal and interests accrued in full upon maturity.

The Bank exercised call option on 26 Febuary and 7 April, 2020 respectively. The Bank repurchased bond A issued in 2018 and bond B issued in 2017.

(v) Unmatured derivative financial instruments (stated at notional amount)

	D	ecember 31, 2020	December 31, 2019
Foreign exchange options premium	\$	551,500	1,001,177
Swaps		651,796,330	731,913,091
Interest rate swaps		19,010,754	21,898,329
Forward foreign exchanges		21,371,462	10,609,694
Asset swaps		2,259,240	6,784,488
Cross currency swaps		1,086,400	1,086,400
Total	\$	696,075,686	773,293,179

(u) Payables

	December 31, 2020	December 31, 2019
Accounts payables	\$ 5,542,682	5,561,791
Receipts under custody	884,192	1,562,797
Accrued expenses	2,927,291	2,818,928
Other tax payables	427,945	484,268
Interests payables	10,115,243	15,386,026
Banker's acceptances payables	2,265,741	1,194,544
Payables to representative organizations	612,917	829,639
Construction payables	2,197	946
Accounts payables – non-recourse factoring	281,542	375,438
Other payables — undelivered spot exchange	874	3
Other payables – collection bills	2,702,515	2,337,855
Other payables – payments awaiting transfer	8,144,868	9,003,123
Other payables –ATM temporary receipts, payments and inter branch differences	2,377,220	2,590,082
Other payables – foreign exchange awaiting transfer	736,863	740,078
Other payables – amounts awaiting settlement	3,915,606	314,769
Other payables — overdue accounts	229,270	199,043
Other payables — checking accounts	102,673	119,600
Other payables — collection	7,724	19,571
Other payables — others	376,521	312,243
Total	\$ <u>41,653,884</u>	43,850,744

(v) Deposits and Remittances

	Decemb 202	,	December 31, 2019
Cheques deposits	\$ 41,0	081,024	39,428,865
Government deposits	330,	759,861	310,980,305
Demand deposits	500,	763,909	402,224,212
Time deposits	658,	472,401	683,596,685
Remittances	,	712,444	554,595
Savings account deposits:			
Demand savings deposits	1,084,	523,034	939,345,417
Staff accounts	14,	328,338	15,284,296
Club saving deposits	:	508,863	608,632
Non-drawing time savings deposits	421,	309,465	417,758,369
Interest withdrawal on principal deposited	779,	880,569	795,291,873
Staff time deposits	10,0	603,005	9,174,191
Preferential Interest deposits	329,	795,927	357,538,411
Total	\$ <u>4,172,</u>	738,840	3,971,785,851



(w) Financial Bonds Payable

		Dogi		dition	B	Bond	
	Name of bond	Beginning date	Maturity date	Interest rate	Type	Amo	unt
						December	December
	2013-1 TWD subordinated unsecured financial bonds	2013/12/2	2023/12/2	The Bank's listed annual fixed interest rate of time deposits, plus, 0.15%.	Subordinated unsecured financial bond	31, 2020 \$ 16,000,000	31, 2019 16,000,000
	2014-1 TWD subordinated unsecured financial bonds-A	2014/06/25	2024/06/25	TAIBOR 3M plus 0.30%	Subordinated unsecured financial bond	5,500,000	5,500,000
	2014-1 TWD subordinated unsecured financial bonds-B	2014/06/27	2024/06/27	1.70%	Subordinated unsecured financial bond	2,000,000	2,000,000
	2014-1 TWD subordinated unsecured financial bonds-C	2014/06/27	2024/06/27	The Bank's listed annual fixed interest rate of time deposits, plus, 0.15%	Subordinated unsecured financial bond	1,500,000	1,500,000
				unamortized discount amount		(915)	(1,180)
	Total					\$ <u>24,999,085</u>	24,998,820
(x)	Other Financial Liabil	lities					
					December 31, 2020		ber 31,)19
	Appropriated loan fun	ıds			\$ 11,26	3 	16,474
	Principal from structu	red produ	cts		913,40	<u>8</u>	946,065
	Total				\$924,67	<u>'1</u>	962,539
(y)	Provision						
					December 31, 2020		ber 31, 119
	Employee benefit obli	gations			\$ 19,639,87	70 18	3,732,288
	Guarantee reserve				1,030,97	' 1	953,505
	Reserve for governme	nt employ	ees insur	ance	399,177,46	341	,738,589
	Loan commitments re	serve			16,27	'9	19,224
	Others				373,25	7	377,993
	Total				\$ 420,237,83	361	,821,599
(z)	Provisions – Employe	e benefits					
					December 31, 2020		aber 31, 019
	Recognized in Consol		lance She	et:			
	Defined benefit plan				\$ 13,454,11		2,545,041
	Employees preferent		t		6,181,50		5,181,930
	Three Chinese festiv	al bonus			4,24		5,317
	Total				\$ <u>19,639,87</u>	<u>'0</u> <u>18</u>	3,732,288

(i) BOT

1) Defined contribution plans

The Bank have established the defined contributions plans in accordance with the provision of the Labor Pension Act since July 1, 2005. The Bank allocates 6% of each employee's monthly wages to his or her individual account of labor pension from which he or she is entitled to claim the principal and accrued dividends in fixed installments or in lump sum in the future. The pension costs recognized under the defined contribution plans were \$3,042 thousand and \$2,870 thousand for the years ended December 31, 2020 and 2019, respectively.

2) Defined benefit plans

The Bank has established the defined contributions plans in accordance with the provision of the Labor Standards Act, including the service periods of all the regular employees before the Labor Pension Act was adopted on July 1, 2005 and the service periods of regular employees electing to continue to apply the Labor Standards Act after July 1, 2005.

The payment of pension to an employee who is qualified for retirement is based on his or her years of service and 6- month average wages before retirement. Two bases are given for each full year of service until the service period is longer than 15 years. Those having served over 15 years are given one base for each full year of service, and the total number of bases shall be no more than 45.

The Bank allocates 8% of all the qualified employees' gross wages to the labor pension account in the name of Labor Pension Supervision Committee in the Bank's Trust Department. The portfolio of this account is built up carefully with diversified investments and strengthened risk management and will adjust timely to stabilize income when the market changes. The portfolio is also regularly supervised and reviewed by the Ministry of Labor. Please refer to the website of the Ministry of Labor for information on the portfolio, such as fair value or percentages of assets.

The Bank is obliged to grant \$18 thousand to those who retired before December 31, 1979 and claim pensions at one time every Spring Festival, Dragon Boat Festival and Mid-Autumn Festival. The amount will be raised to \$31 thousand if there are dependents.

The balances of pension account were \$1,297,169 thousand and \$1,284,129 thousand as of December 31, 2020 and 2019, respectively. The Bank expects to contribute \$973,157 thousand to the account within one year after the balance date.



Weighted average duration of the defined contribution plans were as follows:

Defined Benefit Plans 12.10 year Employee care bonuses during the three Chinese festivals 12.10 year

a) The reconciliation of recognized liabilities for the defined benefit obligations, present value of the defined benefit obligations, fair value of the plan assets, and the limit of assets adjustment are as follows:

	December 31, 2020		December 31, 2019
Present value of the defined benefit obligations	\$	21,805,955	20,731,922
Less: fair value of the plan assets		(8,349,910)	(8,189,461)
Recognized liabilities for the defined benefit obligations	\$ <u></u>	13,456,045	12,542,461

b) The movements in present value of the defined benefit obligations

	 2020	2019
Defined benefit obligation at January 1	\$ 20,731,922	18,988,352
Current service costs	829,104	771,916
Interest expense	155,490	208,872
Remeasurements of the defined benefit plans of other Comprehensive Income		
 Changes in actuarial gains and losses in financial assumptions 	126,094	790,963
-Experience adjustments	1,028,246	836,215
Past service cost	-	565
Contributed by the participant of the plan	1,060	-
Benefit payments	 (1,065,961)	(864,961)
Defined benefit obligation at December 31	\$ 21,805,955	20,731,922

c) The movements of fair value of defined benefit plan assets

	2020	2019
Fair value of plan assets at January 1	\$ 8,189,461	7,866,695
Interest revenue	61,421	86,534
remeasurements of defined benefit plans of other comprehensive income		
-Return on plan assets	102,624	61,259
Contribution made by the Bank	985,518	957,093
Benefit payments	 (989,114)	(782,120)
Fair value of plan assets at December 31	\$ 8,349,910	8,189,461

d) Expense recognized in profit or loss

		2020	2019	
Current service cost	\$	829,104	771,916	
Net interest of defined benefit obligations		94,069	122,338	
Total	\$	923,173	894,254	

e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Bank's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Accumulated amount at January 1	\$ (6,162,067)	(4,596,149)
Recognized during the period	 (1,051,716)	(1,565,918)
Accumulated amount at December 31	\$ (7,213,783)	(6,162,067)

f) Portfolio analysis of plan asset

	2020	2019	
Bonds instruments	\$ 3,010,731	2,800,867	
Others	 5,339,179	5,388,594	
Total	\$ 8,349,910	8,189,461	

The overall expected rate of return on assets is based on the historical trend of returns and the estimation of return on the portfolio as a whole. The Bank also refers to the return of the funds supervised by the Labor Pension Supervision Committee and then uses judgments and estimations to determine the rate which should not be lower than the two-year time deposits rate set by the local banks.

g) Actuarial assumptions

	December 31,	December 31,	
	2020	2019	
Discount rate	0.70 %	0.75 %	
Assets expected rate of return	0.70 %	0.75 %	
Future of salary increases	2.00 %	2.00 %	

The estimated future mortality rates used in calculating of the defined benefit plan of the Bank are based on the fifth round of the Taiwan Life Experience Life Table.



h) Sensitivity analysis

The followings would be the impacts on the present value of defined benefit obligations as of December 31, 2020 and 2019 if the actuarial assumptions had changed:

Impacts on the present value of the defined benefit obligation

	defined benefit obligation				
	Actuarial assumption changes(%)	ass	ctuarial sumption ncrease	Actuarial assumption decrease	
December 31, 2020					
Discount rate					
Defined benefit plans	0.25%	\$	21,128,038	22,448,072	
Employee care bonus during the three Chinese festivals	0.25%		4,209	4,291	
Salary increase rate	0.50%		22,973,592	20,721,440	
December 31, 2019					
Discount rate					
Defined benefit plans	0.25%		20,096,990	21,323,896	
Employee care bonus during the three Chinese festivals	0.25%		5,264	5,373	
Salary increase rate	0.50%		19,735,333	21,800,791	

The aforementioned sentivitiy analysis is used to analyze what the impact could be when one variable changes while all other variables remain constant. In practice, however, this hypothesis may not exist as changes in variables could be correlative. Projected unit benefit method is also utilized in calculating the changes in present value of the defined benefit obligations when the Bank conducts the sentivitiy analysis.

Methods and variables used in preparing the sensitivity analysis are consistent with those of the previous period.

3) Employee preferential interest plan

According to the ruling Tai Tsai Ku No.09601013320 that issued by the Ministry of Finance on December 11, 2007, the Bank is obligated to pay the preferential interests generated from a fixed amount of deposit to each retired and in-service employee.

As from July 1, 2018, the Bank terminate the preferential interest deposits for retired employees in accordance with the rule Tai Tsai Ku No.10700624450 issued by the Ministry of Finance.

a) The reconciliation of recognized liabilities for employee preferential interest plan, fair value of the plan, and limit of assets adjustment are as follows:

Fair value of the Employees preferential interest plan		2020	2019 6,181,930	
		6,181,508		
Limit of assets adjustment				
Recognized liabilities for the defined benefit obligations	\$	6,181,508	6,181,930	

b) The movements of present value of employees preferential interest plan

	2020	2019
Present value of employees preferential interest plan at January 1	\$ 6,181,930	6,220,165
Interest expense	247,277	248,807
Actuarial gains and losses in current period	1,780,417	1,650,337
Contributed by the participant of the plan	3,654	-
Benefit paid by the plan	 (2,031,770)	(1,937,379)
Present value of employees preferential interest plan at December 31	\$ 6,181,508	6,181,930

c) Expense recognized in profit or loss

	2020	2019
Net interest of employees preferential deposit	\$ 247,277	248,807
Actuarial gains and losses in current period	 1,780,417	1,650,337
Total (booked under employee benefits expense, note 6(ah))	\$ 2,027,694	1,899,144



d) Actuarial assumptions

	2020	2019
Discount rates of the employee preferential interest	4.00 %	4.00 %
Return on deposit	2.00 %	2.00 %
Pension preferential ratios deposit for withdrawal	1.00 %	1.00 %
The probability of changes in the policy of employee preferential interest plan	50.00 %	50.00 %
Rate of same type deposit offered to general customers	1.165 %	1.165 %

e) Sensitivity analysis

The followings would be the impacts on the present value of defined benefit obligations as of December 31, 2020 and 2019 if the actuarial assumptions had changed:

Impacts on the present value of the defined benefit

	obligation				
	Actuarial assumption changes(%)		Actuarial assumption increase	Actuarial assumption decrease	
December 31, 2020					
Discount rate	0.25%	\$	6,073,600	6,293,110	
December 31, 2019					
Discount rate	0.25%		6,074,285	6,293,283	

The aforementioned sensitivitiy analysis is used to analyze what the impact could be when one variable changes, while all other variables remained constant. In practice, however, this hypothesis may not exist as changes in variables could be correlative. Projected unit benefit method is also utilized in calculating the changes in present value of the defined benefit obligations when the Bank conducts the sensitivitiy analysis.

The methods and variable used in preparing the sensitivity analysis are consistent with those of the previous period.

f) Future cash flow of Employees preferential interest plan

The Bank monitors and reviews the contributions to employee preferential interest plan annually to ensure the ability of payments. Within one year after the financial statement date, the Bank expects to contribute \$1,798,166 thousand to the plan.

(ii) The subsidiary, BTIB

1) Defined benefit plans (including pension plans and excess annuity)

BTIB the reconcilian of present value of the defined benefit obligations and fair value of the plan assets are as follows:

	Dec	ember 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$	59,266	58,452
Fair value of the plan assets		(56,949)	(50,555)
Net liabilities (assets) of the defined benefit obligations	\$	2,317	7,897

The retirement, indemnity and severance of BTIB certified staff are complied with the "Guideline of Indemnity and Severance of Financial and Insurance Enterprise Employees". Pension payments to staffs that the year of service before designated to apply to "Labor Standards Act" (as of May 1, 1997) are complied with the Article 41-1 and are separately appropriated wages of 4%~8.5% into mandatory pension contribution (defined contribution), according to the different monthly salary grade regulated by the Article 9. However, it is stopped contributing to mandatory pension contribution and the contributed part shall be retained after applying to "Labor Standards Act"; pension payments to labors that the year of service after applying to "Labor Standards Act" is calculated by the related regulations of "Labor Standards Act". When employees retire, they will be paid using their pension fund and mandatory pension contribution.

a) Composition of plan assets

The labor pension reserve consigned to "Labor Retirement Fund Supervisory Committee" by BTIB amounted to \$56,949 thousand at the end of the reporting period.

b) The movements in present value of the defined benefit obligations

BTIB movements in present value of the defined benefit obligations for the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Defined benefit obligation at January 1	\$ 58,452	50,448
Current service costs and interest	5,419	5,032
Remeasurements of the defined benefit plans in other comprehensive income		
 Actuarial gains and losses in demographic changes in assumptions 	 (4,605)	2,972
Defined benefit obligation at December 31	\$ 59,266	58,452

(Continued)

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c) The movements of fair value of defined benefit plan assets

BTIB movements of fair value of defined benefit plan assets for the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Fair value of plan assets at January 1	\$ 50,555	47,525
Remeasurements of defined benefit plans in other comprehensive income		
 Return on plan assets(not including current interest) 	(26)	-
Contribution made by the Bank	5,861	2,392
Interest revenue	 559	638
Fair value of plan assets at December 31	\$ 56,949	50,555

d) Expense recognized in profit or loss

BTIB expense recognized in profit or loss at December 31, 2020 and 2019, was as follows:

	2020	2019	
Current service cost	\$ 4,787	4,371	
Net interest of the defined benefit obligations(assets)	 73	23	
	\$ 4,860	4,394	

e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

BTIB re-measurement of net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, was as follows:

	2020	2019	
Accumulated amount at January 1	\$ 5,895	2,924	
Recognized during the period	 (4,579)	2,971	
Accumulated amount at December 31	\$ 1,316	5,895	

f) Actuarial assumptions

The major actuarial assumptions used by BTIB at the end of reporting period were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.51 %	1.08 %
Future of salary increases	3.00 %	3.00 %

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

The expected payment made by BTIB to the defined benefit plans within one year after the reporting date is \$4,860 thousand.

Weighted average duration of the defined contribution plan is 14.64 year.

g) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the subsidiary BTIB, uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the balance sheet date. Any changes in the actuarial assumptions may significantly impact the amounts of the defined benefit obligations.

The followings could impact the present value of the defined benefit obligations as of December 31, 2020 and 2019 if the actuarial assumptions change as follows:

	Impacts on the defined benefit obligation		
	Increase 0.5%	Decrease 0.5%	
December 31, 2020			
Discount rate	55,551	63,423	
Future of salary increases	62,783	56,045	
December 31, 2019			
Discount rate	54,900	62,413	
Future of salary increases	61,447	55,691	

The sensitivity analysis is used to analyze the impact when one assumption changes and other assumptions are unchanged. In practice, however, changes of assumptions might be correlative. The method used to conduct the sensitivity analysis is the same as that BTIB used to calculate the amount of net accrued pension liabilities on its balance sheet.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

2) Employee preferential interest plan

The subsidiary, BTIB, is also obligated to pay the preferential interests generated from a fixed amount of deposit to each retired and in-service employee in accordance with Tai-Cha-Ku-Tzu No.10103675500 and agreement between the Bank and subsidiary.

The subsidiary, BTIB, has the obligation to pay the preferential interest deposits to current employees. If the preferential interest rate for retired employees exceeds the market rate, BTIB shall apply the accounting treatments required by IAS 19 to estimate the excess interest as the employees retired.



3) Defined contribution plans

BTIB contributed 6% of each employee's monthly salary to a personal labor pension account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. BTIB contributed a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

(aa) Lease liabilities

The Bank's lease liabilities were as follow:

	De	ecember 31, 2020	December 31, 2019
Carrying amounts	\$	1,323,312	1,479,132
For the maturity analysis, please refer to note 8(d).			
The amounts recognized in profit or loss were as follows:			
		2020	2019
Interest on lease liabilities	<u>\$</u>	16,687	19,459
Variable lease payments not included in the measurement of lease liabilities	\$	2,398	2,333
Expenses relating to short-term leases	\$	1,906	2,993
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$	1,651	1,231
Covid-19-related rent concessions (recognized as other income)	\$	(18,570)	

The amounts recognized in the statement of cash flows for Bank and subsidiary was as follows:

		2020	2019
Total cash outflow for leases	<u>\$</u>	583,097	608,815

(i) Real estate leases

As of December 31, 2019, the Bank leased buildings for its office space. The leases of office space typically run for a period of 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract-term.

Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

The Bank leased miscellaneous equipment and parking space with contract terms of one years. These leases are short-term and leases of low-value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases.

(ab) Operating lease

The Bank leases out its investment property and some machinery. The Bank has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	Dec	December 31, 2020	
Less than one year	\$	151,654	151,451
One to two years		80,570	115,015
Two to three years		19,741	54,715
Three to four years		7,351	10,183
Four to five years		2,378	1,682
Total undiscounted lease payments	\$	261,694	333,046

The Bank provided the lessees deferred rent payment and rent concessions in accordance with the government's policy for Covid-19 pandemic. As of December 31, 2020, the amount of deferred rent payment and rent concessions is \$8,401 thousand and \$87,852 thousand respectively.

(ac) Other Liabilities

	Do	ecember 31, 2020	December 31, 2019
Advance collections	\$	2,211,407	2,246,494
Guarantee deposits received		7,698,089	7,051,156
Temporary receipt and suspense accounts		34,210	123,548
Other liabilities to be settled		8,239	8,239
Compensation arising from land revaluation		1,264,803	1,264,803
Defered revenue			16
Total	\$	11,216,748	10,694,256



(ad) Income Tax Expenses

(i) Income Tax expenses (benefits)

The income tax expenses for December 31, 2020 and 2019 were as follow:

	 2020	2019
Current income tax expense	 	_
Occurred in the current period	\$ 799,041	2,401,035
Current income tax expense from adjustment of prior period	 (359,922)	-
Current income tax expense	439,119	2,401,035
Deferred tax expense		
Occurrence and reversal of temporary difference	 388,312	(580,292)
Income tax expenses	\$ 827,431	1,820,743

Income tax (expenses) benefits recognized directly in other comprehensive income for 2020 and 2019 were as follows:

		2020	2019
Gains (losses) on debt instruments measured at fair	\$	10,534	30,302
value through other comprehensive income	-		

The amount of expense (income) tax recognized in other comprehensive income for in 2020 and 2019 were as follows:

	 2020	2019
Profit before tax	\$ 12,342,611	13,211,156
Income tax using the Bank's domestic tax rate (20%)	\$ 2,468,522	2,642,231
Effects of changes in foreign exchange rates	472,312	559,056
Non-deductible profits and losses	(296,408)	255,160
Income exemption	-	(2,568)
Cessation of transfer tax on stocks	(85,691)	(85,298)
Reinvestment gain exemption (dividends)	(967,740)	(1,315,906)
Unrecognized losses from deferred income tax assets in current period	69,907	-
Unrecognized temporary variance	(219,690)	292,105
Under-(Over-)estimation in prior period	(359,922)	-
Income basic tax	344,495	-
Income exemption of Offshore Banking Unit	(598,582)	(495,062)
Others	 228	(28,975)
Total	\$ 827,431	1,820,743

1) Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31,	December 31,
	2020	2019
Deductible Temporary Differences	\$5,438,087	6,052,027

2) Recognised Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for December 31, 2020 and 2019 are as follows:

Deferred Tax Assets:

	F	air Value		
		Gains	Others	Total
Balance at January 1, 2020	\$	200,572	703,225	903,797
Recognized in profit or loss		10,159	(275,814)	(265,655)
Recognized in other comprehensive income	_	(6,085)		(6,085)
Balance at December 31, 2020	\$	204,646	427,411	632,057
Balance at January 1, 2019	\$	215,644	96,646	312,290
Recognized in profit or loss		16,166	608,085	624,251
Recognized in other comprehensive income	_	(31,238)	(1,506)	(32,744)
Balance at December 31, 2019	\$ _	200,572	703,225	903,797

Deferred Tax Liabilities:

	Land Value Increment Tax	Fair Value Gains	Others	Total
Balance at January 1, 2020	\$ 18,072,082	161,967	(628)	18,233,421
Recognized in profit or loss	(670)	122,699	628	122,657
Recognized in other comprehensive income	-	4,449	-	4,449
Balance at December 31, 2020	\$ <u>18,071,412</u>	289,115		18,360,527
Balance at January 1, 2019	\$ 18,077,672	113,354	878	18,191,904
Recognized in profit or loss	(5,590)	49,549	-	43,959
Recognized in other comprehensive income	-	(936)	(1,506)	(2,442)
Balance at December 31, 2019	\$ <u>18,072,082</u>	161,967		18,233,421



(ii) The Bank's and subsidiary's income tax returns have been audited by the MoA up until 2019 and examined by the National Tax Administration up until 2018.

(ae) Equity

(i) Capital stock

A resolution was passed during the meetings of the Bank's Board of Directors, acting on behalf of the Board of Shareholders, on April 12, 2019 for the issuance of ordinary shares paid in land under private placement, with selling price of \$30 per share and September 25, 2019 as the date of capital increase. The total amount of the capital injection was \$42 billion. The issuance was approved by the FSC (Ruling No. 10801305311) and the Ministry of Economic Affairs (Ruling No. 10801140660) on July 17 and October 31, 2019, respectively. The relevant statutory registration procedures have been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares will be subject to the Article 43-8 under the Securities and Exchange Act. The Bank can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the FSC.

As of December 31, 2020 and 2019, the Bank's authorized and issued shares of common stocks were 10,900,000 thousand (9,500,000 thousand was under public offering and 1,400,000 thousand was under private placement). The par value of the issued common stocks is \$10.

(ii) Capital surplus

According to the ROC Company Act, the Bank can declare dividend with capital surplus. The share capital capitalized in any one year may not exceed a certain percentage for the Bank's increasing share capital under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The Bank may only increase its capital reserve out of the share capital from cash premium on capital stock once a year. The additional capital reserve from the share capital may not be increased during the same fiscal year as the additional share capital form cash premium on capital stock.

In accordance with the regulations regarding government-run businesses and the Bank's articles of incorporation, however, the policy for the resources that can be used to distribute cash dividend only includes current year earnings, accumulated earnings, legal reserve allowed to be used to distribute cash dividend, under the instruction of the Ministry of Finance. Capital surplus is not included.

(iii) Legal reserve

According to the ROC Company Act, when the Bank does not have any deficit, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital can be distributed.

(iv) Other equity

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	Gains (losses) on financial Instruments for hedging	Other Comprehensive income reclassified by applying overlay approach	Total
Balance at January 1, 2020	§ (1,350,223)	23) 60,751,921	(109,236)	3,955	29,332	59,325,749
Exchange differences on translation of foreign operations	(1,457,046)	- (9)				(1,457,046)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	1	(3,541,734)	•		•	(3,541,734)
Disposal of investments in equity instruments measured at fair value through other comprehensive income		372,816		•		372,816
Gains (losses) of associates and joint ventures accounted for using equity method on financial Instruments for hedging		1	•	32		32
Change in fair value of financial liability attributable to change in credit risk of liability	ı	•	23,007	•	•	23,007
Other Comprehensive income reclassified by applying overlay approach		'	·		10,758	10,758
Balance at December 31, 2020	\$ (2,807,269)	(9) 57,583,003	(86,229)	3,987	40,090	54,733,582



	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	Gains (losses) on financial Instruments for hedging	Other Comprehensive income reclassified by applying overlay approach	Total
Balance at January 1, 2019	\$ (650,811)	42,375,680	192,515	4,193	(7,239)	41,914,338
Exchange differences on translation of foreign operations	(699,412)	•	•	ı	•	(699,412)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	•	18,370,191		ı		18,370,191
Disposal of investments in equity instruments measured at fair value through other comprehensive income		6,050		ı	ı	6,050
Gains (losses) of associates and joint ventures accounted for using equity method on financial Instruments for hedging				(238)		(238)
Change in fair value of financial liability attributable to change in credit risk of liability		•	(301,751)	ī	ı	(301,751)
Other Comprehensive income reclassified by applying overlay approach		,		,	36,571	36,571
Balance at December 31, 2019	\$ (1,350,223)	60,751,921	(109,236)	3,955	29,332	59,325,749

(v) Appropriation of earnings

The articles of incorporation of the Bank stipulate that net income should be distributed in the following order:

1) to settle all outstanding tax payable; bFSC.

As

- 2) to offset prior years losses;
- 3) to appropriate 30% as legal reserve;
- 4) special reserve

To appropriate 20~40% as special reserve; In accordance with the Order No. 1010012865 issued by the FSC on April 6, 2012, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in the shareholders equity which the Bank elect to transfer to retained earnings by application of the exemption under IFRSs No. 1, the Bank shall set aside an equal amount of special reserve. When the Bank subsequently use, dispose of, or reclassify the relevant assets, it may reverse to distributable earnings a proportional amount of the special reserve originally set aside.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholder's equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholder's equity pertaining to prior due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholder's equity shall qualify for additional distributions.

5) To appropriate dividends.

The remaining balance would be appropriated, combining accumulated retained earnings, in accordance with related laws and regulations.

According to the Banking Law, before the legal reserve balance amounts to the authorized capital, cash dividend distributions cannot exceed 15% of the authorized capital.

- 6) The meeting of Board of Directors held on February 22, 2019 resolved to follow the budget approved by the government and distributed the amount of \$800 million to TFH as dividend for the year 2018.
- 7) The meeting of Board of Directors held on February 21, 2020 resolved to follow the budget approved by the government and distributed the amount of \$800 million to TFH as dividend for the year 2019.



(af) Net interest income

		2020	2019
Interest income:			
Loans and discounts	\$	37,021,424	43,561,302
Placement with Central Bank and call loans to banks		6,654,715	9,331,949
Securities investment		9,225,305	12,200,314
Credit cards		21,288	25,118
Others		1,129,238	915,543
Subtotal		54,051,970	66,034,226
Interest expense:			
Deposits from customers		24,101,476	33,398,484
Deposits of Central Banks and other banks		2,058,763	5,433,135
Loans to Central Banks and other banks		4,542	-
Bonds sold under repurchased agreements		70,780	109,746
Financial bonds		270,694	304,830
Structured deposits		18,394	30,952
Others		40,106	77,881
Subtotal		26,564,755	39,355,028
Net interest income	\$	27,487,215	26,679,198
(ag) Service fees, net			
		2020	2019
Service fees revenue:	Ф	1.061.054	0.60 101
Trust services	\$	1,061,954	869,191
Custody services		136,498	136,752
Foreign exchange business		173,125	261,573
Credit business		557,047	521,388
Credit card services		139,782	150,827
Deposit, remittance and other services		3,499,082	3,926,866
Subtotal		5,567,488	5,866,597
Service fees expense:			
Trust services		84,799	81,675
Custody services		26,339	19,718
Credit card services		140,506	148,305
Deposit, remittance and other services		483,525	442,812
Subtotal		735,169	692,510
Service fees, net	\$	4,832,319	5,174,087

(ah) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

			2020	2019
	Gain on financial assets or liabilities measured at fair value through profit or loss:	_		
	Dividend income	\$	4,720,717	4,862,624
	Net interest loss		(105,472)	(1,205,202)
	Net gain on disposal	_	4,322,048	14,865,580
	Subtotal		8,937,293	18,523,002
	Net gain on valuation		47,585,742	30,263,404
	Total	\$ <u></u>	56,523,035	48,786,406
(ai)	Realized gains (losses) on financial assets measured at fair vincome	alue	through other comp	prehensive
			2020	2019
	Dividend income	\$	3,184,423	3,184,773
	Gain on disposal	_	361,482	395,865
	Total	\$ _	3,545,905	3,580,638
(aj)	Foreign exchange gain or loss			
			2020	2019
	Foreign exchange gains	\$	7,916,216	8,431,197
	Foreign exchange losses	_	(12,322,340)	(8,635,038)
	Total	\$ _	(4,406,124)	(203,841)
(ak)	Other non-interest income (expense)			
			2020	2019
	Premiums income	\$	23,623,153	23,511,625
	Sales revenue		126,012,248	139,418,849
	Subsidized income from government		7,784,351	8,774,387
	Benefits and claims		(21,988,989)	(24,671,785)
	Cost of goods sold		(125,165,377)	(138,918,462)
	Provisions for policy holders' reserve premium		(57,438,873)	(45,358,797)
	Excess preferential interest expenses		(8,470,186)	(8,781,651)
			400 45-	-0.5.5.5

Others

Total

(Continued)

786,916

(45,238,918)

132,462

(55,511,211)



(al) Employee benefits expenses

	 2020	2019
Salaries	\$ 11,826,246	11,419,798
Labor and health insurances	530,149	527,904
Pensions	958,418	925,957
Remuneration of directors	2,472	2,553
Others	 211,166	268,669
Total	\$ 13,528,451	13,144,881

(am) Depreciation and amortization expenses

		2020	2019
Depreciation expenses	\$	1,371,318	1,324,747
Amortization expenses		346,220	313,388
Total	\$	1,717,538	1,638,135

(an) Other general and administrative expenses

	2020	2019
Taxes	\$ 2,763,298	3,173,028
Rental expenses	5,955	6,557
Insurance expenses	985,496	989,540
Postage and phone / fax expenses	226,652	219,611
Utilities	175,897	187,604
Supplies expenses	176,131	172,257
Repair and maintenance expenses	405,574	407,422
Marketing expenses	324,732	331,649
Professional service fees	776,991	770,677
Cashes transferring expenses	58,177	220,581
Others	 338,824	352,517
Total	\$ 6,237,727	6,831,443

(ao) Earnings per Share

The basic earnings per share of the Bank and subsidiary were calculated as follows:

Unit: thousand dollars / thousand shares

	2020		2019		
	B	Before-Tax	After-Tax	Before-Tax	After-Tax
Consolidated net income	\$	12,342,611	11,515,180	13,211,156	11,390,413
Weighted average outstanding shares	_	10,900,000	10,900,000	9,875,890	9,875,890
Basic earnings per share (In dollars)	\$	1.13	1.06	1.34	1.15

(7) The Fair Value Information of Financial Instruments:

(a) Fair value information

(i) Overview

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments are recognized initially at fair values. In many case, they usually refer to transaction prices. Subsequent to initial recognition, they are also measured at fair value except for those that are measured at amortized cost. The best evidence of fair value is the quoted price in an active market. If financial instruments do not have a quoted market price in an active market, the Bank uses the valuation techniques or refers to the quoted prices set by Bloomberg, Reuters or the Counterparties to determine the fair value.

(ii) The Three-level Definition

1) Level 1

Inputs are quoted prices of same financial instruments in an active market. An active market indicates the market that is in conformity with all the following conditions: (i) the products in the market are identical; (ii) it is easy to find a willing party; (iii) the price information is attainable for the public. The equity investments, beneficiary certificates, certain Taiwan government bonds, and derivatives with quoted prices in an active market are classified as level 1.

2) Level 2

Inputs are those that are observable for asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), other than quoted prices included within Level 1. The non-popular government bonds, corporate bonds, financial bonds, convertible bonds, most of the derivatives, and financial bonds issued by the Bank are classified as level 2.

3) Level 3

Inputs are not based on observable market data (unobservable inputs parameters), i.e., historical volatility which cannot represent an expected value of all the market participators but is used as a model for the calculation of options. Certain derivatives and equity investments without a non-active market belong to level 3.



(b) Measure at fair value measurement

(i) Fair value hierarchy

The fair value of financial instruments is measured on a recurring basis. The fair value hierarchy of financial instruments as of December 31, 2020 and 2019 are as follows:

	_		December	31, 2020	
Financial instruments measured at fair value		Total	Level 1	Level 2	Level 3
Non-derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss	\$	314,803,083	292,394,566	22,210,127	198,390
Financial assets designated as fair value through profit or loss		19,029,575	-	19,029,575	-
Investment in bonds		19,029,575	-	19,029,575	-
Financial assets mandatorily as fair value through profit or loss		295,773,508	292,394,566	3,180,552	198,390
Investments in stocks		141,318,949	141,120,559	-	198,390
Investment in bonds		3,481,232	300,680	3,180,552	-
Others		150,973,327	150,973,327	-	-
Financial assets at fair value through other comprehensive income		991,067,914	740,700,365	226,230,144	24,137,405
Investments in bonds		898,665,741	672,435,597	226,230,144	-
Investment in stocks		92,402,173	68,264,768	-	24,137,405
Liabilities:					
Financial liabilities designated at fair value through profit or loss		14,564,305	-	14,564,305	-
Derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss	\$	11,635,350	55,693	11,579,657	-
Liabilities:					
Financial liabilities measured at fair value through profit or loss		17,772,973	-	17,772,973	-
Hedging derivatives financial liabilities		49,894	-	49,894	-

	December 31, 2019					
Financial instruments measured at fair value		Total	Level 1	Level 2	Level 3	
Non-derivative financial instruments						
Assets:						
Financial assets measured at fair value through profit or loss	\$	233,494,167	211,102,426	22,196,291	195,450	
Financial assets designated as fair value through profit or loss		19,361,468	-	19,361,468	-	
Investment in bonds		19,361,468	-	19,361,468	-	
Financial assets mandatorily as fair value through profit or loss		214,132,699	211,102,426	2,834,823	195,450	
Investments in stocks		91,208,229	91,012,779	-	195,450	
Investment in bonds		3,525,504	690,681	2,834,823	-	
Others		119,398,966	119,398,966	-	-	
Financial assets at fair value through other comprehensive income	1	,013,078,126	798,960,636	191,017,604	23,099,886	
Investments in bonds		917,794,248	726,776,644	191,017,604	-	
Investment in stocks		95,283,878	72,183,992	-	23,099,886	
Liabilities:						
Financial liabilities designated at fair value through profit or loss		46,199,351	-	46,199,351	-	
Derivative financial instruments						
Assets:						
Financial assets measured at fair value through profit or loss	\$	10,699,762	56,694	10,643,068	-	
Hedging derivatives financial assets		1,071	-	1,071	-	
Liabilities:						
Financial liabilities measured at fair value through profit or loss		14,084,496	-	14,084,496	-	
Hedging derivatives financial liabilities		25,537	-	25,537	-	

(ii) Financial instruments measured at fair value

Fair value of an assets or liability is the amount at which the asset could be bought or sold in a current transaction between both willing parties who have full understanding, or transferred to an equivalent party.

Financial instruments are recognized initially at fair values. In many case, they usually refers to transaction price. Subsequent to initial recognition, they are also measured at fair value except for those that are measured at amortized cost. The best evidence of fair value is the quoted price in an active market. If a financial instrument do not have a quoted market price in an active market, the Bank uses the valuation techniques or refers to the quoted prices set by Bloomberg, Reuters or the Counterparties to determine the fair value.

The fair value of financial instruments is based on the quoted prices in an open market. These include trading prices of equity instruments listed on a major stock exchange or of the government bonds in an over the counter ("OTC") market.



When a quoted price of a financial instrument is timely available in a stock exchange or an a OTC market or from brokers, underwriter, industry associations, pricing service organizations and the authorities and the price is often used in a arm's length transaction, the financial instrument is considered to have a quoted price in an active market. If the above criteria are not met, the market is considered inactive. In general, a large or significantly increasing bid-ask spread and very low transaction volume indicate that the market where the financial instrument is trade is not active.

Other than those traded in an active market, the fair value of all other financial instruments is determined by using a valuation model or referring to the quoted price of the counterparty. The Bank refers to the present values, the discounted cash flow or the values calculated under other valuation methods of financial instruments with similar terms and characteristics, including the one calculated by a model which uses the available market data at the financial statement day as inputs. (i.e. the applicable yield curve of bonds traded in the Taipei exchange and average prices of commercial papers quoted on Reuters)

When measuring a financial instrument which no specific techniques can be applied to but do not create challenge in valuation, such as bonds traded in an inactive market, interest rate swap, FX swaps and options, the Bank adopts the valuation methods which are widely used and accepted by other market participants. The parameters used are usually the observable market data or information.

For complex financial instruments, the Bank not only refers to the valuation methods which are widely used and accepted by other banks but also develops its own valuation models to determine the fair value. These valuation models are usually applied to the valuation of derivatives, debt instruments with embedded derivatives, or securitization products. The parameters used in such models are usually not observable in a market, and therefore, the Bank has to make proper estimates based on assumptions and judgments.

(iii) Fair value adjustment

1) Limitations of valuation models and uncertainty input

Outputs of valuation models are approximate values and valuation techniques may not be able to reflect critical factors of all the financial and non-financial instruments. As such, additional parameters shall be incorporated into the fair value measurement, such as modeling risk and liquidity risk, when necessary. The management of the Bank believes that the adjustments made to the fair value of financial and non-financial instruments are appropriate and necessary since they are performed in accordance with the Bank's policies governing the fair value of valuation models and related internal controls. All the information and parameters are based on current market conditions and thoroughly reviewed by the Bank.

2) Credit risk valuation adjustment

Credit risk valuation adjustment consists of credit valuation adjustments and debit valuation adjustments to the derivatives traded in an OTC market instead of a stock exchange market. The definitions are as follows:

- a) Credit value adjustments (CVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the counter parties' delayed payment and default into fair value.
- b) Debit value adjustments (DVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the Bank and its subsidiary' delayed payment and default into fair value.

The key inputs of the measurement of credit risk and the quality of the Bank's counterparties are the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

CVAs are calculated by considering the counterparty's probability of default (PD) under the condition that the Bank is not in default, Loss give default (LGD) and Exposure at default (EAD). On the contrary, DVAs are calculated by considering the Bank's PD under the condition that the counterparty is not in default, LGD and EAD.

The Bank refers to the counterparty's default rate graded by Moody's, experiences of John Gregory (scholar), and foreign financial institutions, to determine the PD at 60%. The Bank may also use other alternative PD assumptions if data availability is limited. Moreover, the Bank also takes the credit risk valuation adjustments into consideration when calculating fair value by referring to the Mark-to-Market values of derivatives traded in the OTC markets to reflect the counterparty's credit risk and the Bank's creditworthiness.



(iv) Reconciliation for fair value measurements in Level 3 of the fair value hierarchy were as follows:

Reconciliation for fair value measurements categorized in level 3 as of December 31, 2020 and 2019 were as follows:

	Fair value through profit or loss Non derivative mandatorily measured at fair value through profit or loss (Unquoted equity instruments)		Fair value through other comprehensive income	
			Unquoted equity instruments	Total
Opening balance, January 1, 2020	\$	195,450	23,099,886	23,295,336
Total gains and losses recognized:				
In profit or loss		2,940	-	2,940
In other comprehensive income		-	1,027,498	1,027,498
Purchased			10,021	10,021
Ending Balance, December 31, 2020	\$ <u></u>	198,390	24,137,405	24,335,795
Opening balance, January 1, 2019		211,200	16,635,610	16,846,810
Total gains and losses recognized:				
In profit or loss		(15,750)	-	(15,750)
In other comprehensive income		-	5,631,721	5,631,721
Purchased			832,555	832,555
Ending Balance, December 31, 2019		195,450	23,099,886	23,295,336

(v) The process of fair value measurements in Level 3

Referring to IFRS 13, the Trading Department should inform the Risk Management Department regarding the related valuation methods before any financial instruments categorized in Level 3 are bought or sold. The valuation result of such financial instruments is quarterly reported to Asset and Liability Management Committee.

(vi) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Bank considers the valuation techniques used by the Bank for fair value measurements in Level 3 reasonable. However, any changs in one or more of the parameters or assumptions may lead to a different result.

Inter-relationship

BANK OF TAIWAN AND SUBSIDIARY Notes to the Consolidated Financial Statements

The favorable and unfavorable effects represent the changes in fair value, and the fair value are based on a variety of unobservable inputs calculated using a valuation technique. There are no such effects as of December 31, 2020 and 2019. The analysis only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

(vii) The sensitivity analysis for the financial assets measured at fair value classified to the Level 3.

The Bank's and subsidiary's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – equity investments" and "fair value through other comprehensive income – equity investments".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss and Financial assets at fair value through other comprehensive income – Contingent consideration	Comparable company method (Market approach)	 P/E ratio P/B ratio EV/Operating revenue EV/EBITDA EV/Total assets Liquidity discount rate 	 The estimated fair value would increase (decrease) if: the P/E ratio, P/B ratio, EV/Operating revenue, EV/EBITDA and EV/Total assets were higher (lower); the liquidity discount rate were lower (higher).

(c) Hierarchy information of financial instruments not measured at fair value

(i) Fair Value Information

In addition to the following items, the Bank's financial instruments that are not measured at fair value include cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits, other borrowings and other financial liabilities. Since their book value is a reasonable approximation to fair value, there is no fair value disclosure.

Item	Book value	Fair value
December 31, 2020		
Financial Assets		
Financial Assets measured at amortized cost	156,093,052	160,660,795
		(Continued)



(ii)

BANK OF TAIWAN AND SUBSIDIARY Notes to the Consolidated Financial Statements

Item		Book value		Fair value	
December 31, 2019 Financial Assets					
Financial Assets measured at amortized cost		177,206,775		179,067,171	
Fair value hierarchy					
		December 31, 2020			
Assets and liabilities item	Total	Quoted prices in active markets for identical asset (Level1)	Significant other observable inputs (Level2)	Significant unobservable inputs (Level3)	
Financial Assets:					
Financial Assets measured at amortized cost	\$ 160,660,795	76,747,568	83,913,227	<u>-</u>	
		December			
		Quoted			
		prices in active markets for identical	Significant other observable inputs	Significant unobservable inputs	
Assets and liabilities item	Total	asset (Level1)	(Level2)	(Level3)	
Financial Assets:					
Financial Assets measured at amortized cost	\$ 179,067,171	95,636,179	83,430,992	-	

- (iii) The methods and assumptions to estimate the financial instruments not measured at fair value are as follows.
 - Financial instruments that have short term to maturity or of which the agreed prices are close to carrying amounts are recognized using their carrying amounts at reporting date. These financial instruments include cash and cash equivalents, placement with Central Bank and call loans to banks, bills and bonds purchased under resell agreements, receivables, limited assets, deposits of Central Bank and other banks, loans to the Central Bank and other banks, bills and bonds sold under repurchase agreements, payables and guarantee deposits received.
 - The discounts and loans (including non-performing loans): The Bank use the floating interest rate to be the interest rate of loans. The floating interest rate can also reflect the market interest rate. So it is reasonable to use the carrying amount and the recoverability to estimate the fair value. The mid-term and long-term loans using with fixed interest rate should use the discounted present value of expected future cash flow to estimate their fair value. However, if the loans with fixed interest rate are minor, it is reasonable to use the carrying amount and their recoverability to estimate their fair value.

3) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted:

- a) If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement.
- b) If no quoted prices are available, the discounted cash flows are used to estimate fair values.
- 4) Deposits and Remittances: The Bank considers the characteristic of bank industries to decide the fair value. The deposits with market interest rate are those almost with due within one year and their carrying amounts are reasonable basis for estimating the fair value. The long-term deposits with fixed interest rate are measured using the discounted present value of expected future cash flow. Because the term to maturity is less than three years, it is reasonable to use the carrying amount to estimate the fair value.
- 5) Financial Bonds Payable: It refers to the convertible corporate bonds and financial bonds issued by the Bank. Their coupon rates are almost equal to the market interest rate, so it is reasonable to using the discounted present values of the expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.

(8) Financial Risk Management:

(a) Overview

The Bank's activities has expose to various risks from financial instruments, which included credit risk, market risk, operational risk, interest rate risk, liquidity risk, national risk, legal risk and so forth. The principle of risk management is as follow:

- (i) Monitor the BIS Capital Adequacy Ratio in response to operation scale, credit risk, market risk, operational risk and the operating trades in the future.
- (ii) Establish a systematic risk measure and control mechanism to measure, monitor and control every risk.
- (iii) Manage every business risk considering the risk capacity, capital reserve, nature of debts and performance.
- (iv) Establish a valuation method for the quality and classification of assets, control the intensity of exposure and significant exposure, check periodically and recognize allowance for loss.
- (v) Establish information system protection mechanism and emergency plan for bank operation, transactions, and information. Build an independent and effective risk management mechanism and strengthen the risk management of business through appropriate policies, procedures, and systems.



(b) Risk management structure

The risk management structure of the Bank is composed of the Board of Directors, risk management committee, risk management department and every operational unit.

- (i) The Board of Director is the final decision maker for risk management and is responsible for the result of risk. The Board of Director should decide the entire risk management policies in view of operational strategies and business environment to monitor the risk management mechanism which understand the risk status and maintain the appropriate Capital Adequacy Ratio in response to all risk.
- (ii) Risk Management Committee under the Board of Directors is responsible for executing risk management policies and coordinating interdepartmental management of risk.
- (iii) Risk management department is responsible to monitor, trace the execution status of risk management policies and submit reports to the Board of Directors or Risk Management Committee. If a significant risk exposure is discovered, the risk management department has to make appropriate procedures and report it to the Board of Directors.
- (iv) Every department should identify, evaluate, and control the risks of new products or business, set related risk management regulations as a guideline, and monitor the risk management to ensure the risk control of entire company.
- (v) All operational units shall comply with the regulations for risk management.

(c) Credit Risk

(i) Causes and definition of credit risk

Credit risk is the risk of financial loss to the Bank if a borrower, issuer or a counterparty to a financial instrument fails to meet its contractual obligations principally due to their credit deterioration or other factors (i.e. disputes between a borrower and its counterparty), including:

- 1) Credit risk from a borrower/issuer refers to the risk that the Bank and subsidiary may suffer from financial losses when the borrower/issuer is not able to meet its contractual obligations due to default, bankruptcy or liquidation.
- 2) Credit risk form counterparties refers to the risk that the Bank and subsidiary may suffer from financial losses when the counterparty is not able to settle the contracts or execute its repayments.
- 3) Credit risk form underlying assets refers to the risk that the Bank and subsidiary may suffer from financial losses when the credit quality of the underlying assets linked by the financial instruments turns vulnerable, which leads to an increase of risk premium, a downgrade of credit rating or a breach of contract.

Credit risk is derived both from on and off balance sheet items. On balance sheet items include loans, placement with banks, call loans to banks, acceptance bills, debt instruments, derivatives, etc. Off balance sheet items include guarantees, acceptances, letter of credits, loan commitments, etc.

(ii) Identification and measurement of credit risk

To ensure the credit risk is in a tolerable range, the Bank sets the credit risk management policies which identify that the credit risk of all the transactions and business related to the assets, liabilities and off-balance sheet items. Before executing present or new business, the Bank shall identify the credit risk, understand the degree of risk exposure through appropriate evaluation and assess the possibilities of default.

If there are no specific requirements from the local authorities, the overseas branches of BOT shall assess asset quality and loss provision in accordance with the Operational Manual of Evaluating the Impairment of Loans and Receivables. The information about how the Bank classifies assets, manages post-loan and grant internal rating is as follows:

1) Credit business(including loan commitments and financial deposit)

a) Credit assets categories and post-loan management

The Bank has established the "Operational Manual of Evaluating the Impairment of Loans and Receivables" and has classified the credit assets into five categories. Except for normal credit assets that are classified at the first category, the other abnormal credit-rating assets are classified as the second category- requiring attention, the third category- collectable, the fourth category- hard to collect, and the fifth category- impossible to collect by assessing the collaterals and overdue days. In order to reinforce the post-loan management, the Bank sets the "Credit Review and Follow up Evaluations Provision", the "Review of the Credit Conducted by Managers Provision", as well as the "Warning Mechanism Provision", and evaluate and monitor the quality of credit assets regularly. Also, to enhance the management of abnormal credit and to attain the goals of warning and interim monitoring, the Bank reviews their credit cases by sampling cases based on their ratings and check significant credit cases periodically.

b) Internal credit rating

When conducting credit review, the Bank will obtain necessary collateral to mitigate risk arising from financial loss due to the environment, economic changes, risk factors of business development strategies and policies. The Bank improve market competitiveness of products, strive for customer identification, broaden business, and balance credit risk and profits target simultaneously. The following are the credit process of corporate finance and consumer finance.

i) Corporate Finance

The Bank has established a credit policy under which each new customer is analyzed individually for creditworthiness before the interest rate is offered. The Bank review includes external rating, when available, and in some cases, the information that is publicly available. The clients are classified into two types based on their scorecards, the large-scale enterprise and the medium-scale enterprise. Then they measure their scale, financial and business status, business management and industry characteristic. There are 13 credit ratings, all in all.



ii) Consumer Finance

The Bank uses the credit application scorecard and behavior scorecard, both of them have seven grades for the purpose of credit risk evaluation and differential pricing. Unsecured consumer loans are graded based on seven scoring items and are classified into the seventh rating. The Bank would reject those below the lowest scores; others would be reviewed in accordance with related provisions.

2) Due from Banks and Call Loans to Banks

The Bank will assess the counterparty's creditworthiness, and refer to external ratings provided by domestic and international credit rating agencies, to set up different credit risk limits before any transactions are carried out.

3) Investment in debt instruments and financial instrument derivatives

The Bank identifies and manages credit risk of debt instruments by reviewing the external ratings, creditworthiness of bonds, and geographic region of its counterparties. Most of the Bank's derivative contracts with its counterparties are financial institutions with good credit ratings. For those financial institutions whose ratings are not available, the Bank reviews the transactions individually. All the counterparties, including non-financial institutions, are managed based on their lines of credit (including loans at call).

(iii) Measurement of credit risk

1) Categories for credit risk quality

The Bank internally categorize the credit risk into four levels, which are low risk, moderate risk, high risk and impaired risk. The definition of each level is as follows:

- a) Low risk: The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are capable of dealing with the situations.
- b) Moderate risk: The possibility that the issuers or counterparties fulfill their obligation is remote. Operating performance and disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.
- c) High risk: The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.
- d) Impaired risk: the counterparties or the target did not perform its obligation according to the contracts, and potential estimated loss to the Bank and subsidiary has reached the standard of impairment.

2) Determination on the credit risk that has increased significantly since initial recognition

The Bank and subsidiary determine whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, the Bank and subsidiary consider the reasonable and supportable information (including forward looking information) which shows that the credit risk has increased significantly since initial recognition.

a) Credit business (including loan commitments and financial deposit)

The Bank's and subsidiary's credit business scoring model and risk degree are as follows:

Risk degree	Corporate Finance IRB scoring model	Consumer Finance IRB application/ behavioral scoring model (including credit cards, excluding student loans)	Student Loans behavioral scoring model
	1	1	1
Low	2	2	
	3	3	2
	4	1	
	5	4	3
	6	5	4
Moderate	7		5
	8	6	
•	9	1	6
	10	1	
	11		7
High	12	7	8
	13	1	9
			10

i) Loans and Discounts and credit related receivables

The Bank and subsidiary determine the credit risk of loans and discounts or financing receivables has increased significantly since initial recognition when the financial instrument applying the impairment requirements in IFRS 9 meets the following conditions at each reporting date:

- The borrower's internal or external rating has significantly dropped;
- The borrower's contract payment has been overdue for more than a month but still within 3 months (there are additional 45 days for a borrower who does not have a credit account in the Bank);
- The borrower's internal credit level is assessed as" Poor" under post-loan review or alert.



ii) Credit Cards

The Bank and subsidiary determine the credit risk of credit card loans has increased significantly since initial recognition when the credit card loans applying the following conditions: The borrower has not used revolving credit facility, but whose internal rating has dropped more than 3 levels, the borrower has used revolving credit facility without overdue, the loans has overdue but within 3 months, or non-conforming assets, excluding assets previously determined as credit risk has increased significantly or credit impairment.

b) Debt investments and placement with central bank and call loans to banks

The Bank and subsidiary follow the table below to determine whether that the credit risk of debt investments or placement with central bank and call loans to banks have increased significantly since initial recognition at each reporting date:

,	STAGE 1 (credit risk has not significantly increased)	STAGE 2 (credit risk has significantly increased)	STAGE 3 (credit has been impaired)
1.	The credit rating of a counterparty is higher than Moody's A3, S&P's A- , Fitch's A- or Taiwan Ratings' twA- at the reporting date. (Note)		
2.		credit of counterparty is not	Not assessed as Stage 1, but the credit of counterparty has been impaired.
3.	The credit rating of a counterparty lower than Moody's Baa3 or equivalent drops 1 level during the period of the transaction date and each reporting date.		

Note: If the credit risk of the credit assets is low, the Bank and subsidiary may consider that the credit risk of debt investments and placement with central bank and call loans to banks has not significantly increased since initial recognition.

3) Definitions for default and credit impairment of financial assets

The Bank and subsidiary use the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, the Branch determine that the financial assets have been defaulted and credit impaired:

- a) Credit business (including loan commitments and financial deposit)
 - i) Loans and discounts and credit related receivables
 - 1. Quantitative indicators
 - The borrower's principals or interests have been overdue than 3 months.
 - · The borrower's internal rating is assessed as the lowest.

2. Qualitative indicators

If there is evidence that the borrower will be unable to pay the contract, or show that the borrower has significant financial difficulties, such as:

- The borrower has requested to postpone the repayment of principles and interests;
- The borrower's internal credit level is assessed as "Terrible" under post loan review or alert;
- The borrower's internal credit level is assessed as "Dangerous" under post loan review or alert;
- The borrower is reported by the Bank due to significant and unfavorable events;
- · The borrower is under debt negotiation.

ii) Credit card business

The loan which borrower's payment has been overdue more than 3 months, or is reclassified as non-accrual loans, or was credit-impaired before, or which borrower is dead.



- b) Debt investments and placement with central bank and call loans to banks
 - i) If there is evidence showing that the borrower will be unable to repay the principal or interests, or that the borrower has significant financial difficulties, such as:
 - The issuer has breached the contract, such as a default or delinquency in interest or principal payments;
 - · The issuer reorganizes its debt, such as a slash on the interest rate or principals, an exchange of debts, subordination of debt repayment or a postpone in maturity date;
 - · The issuer has filed a bankruptcy; or
 - · The issuer's rating is optional default or default.
 - ii) A combination of individual and independent events may lead to an impairment on financial assets.

If the aforementioned definition of breach of contract and credit impairment applies to all financial assets held by the Bank and subsidiary no longer meets the definition of default and credit impairment for a period of time, it is deemed to return to the state of compliance and is no longer considered defaulted and credit impaired.

The aforementioned definition of breach of contract and credit impairment, and is consistent with the definition used for the purpose of internal credit risk management for financial assets, and is also applied to the relevant impairment assessment model.

4) Write off policy

If there is no realistic prospect of recovery for the financial assets (either partially or in full), the Bank and subsidiary will write off part or full of the financial assets. The indications of financial assets which have no realistic prospect of recovery include:

- a) The loan cannot be recovered in full or in part because the issuers or debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- b) The collateral and property of the primary/subordinate debtors or issuers have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the Bank and subsidiary might collect from the debtors where there is no financial benefit in execution.
- c) The primary/subordinate debtor or an issuer's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the Bank's and subsidiary's taking possession of such collateral.

- d) More than two years have elapsed since the maturity date of the non performing loans or non accrual loans, and the efforts of collection have failed.
- 5) Amendments of contractual cash flows of financial assets

The contractual cash flows of loans and discounts may be amended due to the borrower's financial difficulties or in order to increase the recovery rate. An amendment may involve an extension of contract period, a change in the timing of repayments or in the interest rate, which may lead to a de-recognition of current financial assets and a rerecognition of the financial assets at fair value, in accordance with the Bank's and subsidiary's policy (Please see note 4(e)).

If the amendments do not lead to a de-recognition, the Bank and subsidiary will determine the credit of financial assets have been impaired and will assess expected credit loss accordingly since debt negotiation or extension is one of the conditions that define whether financial assets are credit-impaired or not.

The Bank and subsidiary assess the possibility of default of the amend financial assets by considering the condition of repayments after the amendment and several related behavior indexes, and re-evaluate whether the amendment has improved or restore the client's ability to make the required loan payments. According to the the Bank's and subsidiary's policy, a borrower cannot be reverted to Stage 1 until the borrower can continuously repay the new contractual amounts for a certain period and shows good payment behaviors.

The Bank and subsidiary will periodically review changes of credit risk after amendments in accordance with related policy.

- 6) Expected credit loss measurement
 - a) Adopted methods and assumptions

For the Bank and subsidiary, if the financial assets are of low credit risk or no significant increase in credit risk, the 12 month expected credit losses will be recognized. If the financial assets are significantly increased in credit risk or the credits have been impaired, the expected credit losses for a lifetime will be recognized.

In order to measure expected credit losses, the Bank and subsidiary adopt Probability of default ("PD"), and include Loss given default ("LGD") and Exposure at default ("EAD"), and consider the impact of the time value of money, to calculate the expected credit losses for 12 months and for a lifetime, respectively.



Notes to the Consolidated Financial Statements

Default probability is how likely the issuer or the counterparty breaches the contract, and the loss given default is the rate of loss due to default by the issuer or the counterparty. The default probability and loss given default used by the Bank and subsidiary, related impairment assessments are based on international credit rating agencies (S&P and Moody's), regularly publish information on default rate and loss given default, or internal historical information and calculate based on current observable data and forward looking general economic information (such as gross domestic production) after adjusting historical data.

The Exposure at default is measured by amortized cost of financial asset.

The estimation techniques or material assumptions made by the Bank and subsidiary to assess expected credit losses have no significant changes during the year.

b) Forward looking information considerations

The Bank and subsidiary take forward looking information into account when judging whether the credit risk of a debt instrument has increased significantly since its initial recognition, and when the expected credit loss is measured.

i) Credit business (including loan commitments and financial deposit)

The Bank and subsidiary identify credit risks and factors of expected credit loss (i.e. GDP, economic growth rate, price index, interest rate, and unemployment rate) based on historical data. Simultaneously, the Bank and subsidiary connnect these factors or monitoring indicators with each loan product in order to adjust PD in the coming year and make expected credit loss reflect forward looking information.

ii) Debt investments and placement with central bank and call loans to banks

The Bank and subsidiary evaluate the expected credit loss based on the external rating outlook or observation at the reporting date. If any of an issuer's credit rating granted by Moody's, S&P, Fitch, or Taiwan Rating is "Negative" or "-", the issuer will be determined as negative outlook or negative observation.

- 1. When the issuer's credit rating outlook is "Negative" or credit rating observation is "-", the Bank and subsidiary use the average of the long-term PD and one level reducted PD.
- 2. Otherwise, the PD will remain unchanged.
- (iv) Management of maximum exposure to credit risk and excessive risk concentration
 - In accordance with the Banking Law, there is a credit limitation management for the Bank's person in charge, employees, and any interested party. In respect to credit intensity, the Bank provides credit and investment quota rules for the same enterprise, and industry. The Bank also limits and manages the credit amount for enterprises, groups and every industry.

- 2) The Bank's Treasury Department, OBU, and foreign branches provide different credit amount according to external credit evaluation and rankings when having a transaction in the currency market or capital market, foreign exchange, new financial instruments transactions and negotiable security transactions.
- 3) To spread the country risks, the Bank allocates different credit amount, based on the ranking of the countries in "Euromoney", to the Financing Department, OBU, and foreign branches. The covered businesses are loan assets and transaction assets (i.e. due and call loans, investment securities, derivatives, and foreign exchanges).

(v) Policies of credit risk deduction

1) Collateral

The Bank has established policy and procedures to mitigate credit risk. Among them, one of the most common ways, is to demand for collateral. In terms of collateral management and valuation, the Bank established policies governing the scope of collateral and related procedures to secure debts. Moreover, the Bank also requires the provisions that secure debts and collateral should be contained within a credit agreement to reduce credit risk by clearly defining the amounts the Bank can cut and the grace periods the bank can offer or even requesting for a prepayment.

Non-credit businesses are not required to collect collateral, depending on the nature of the financial instruments. Only asset-backed securities and other similar financial instruments are required to pledge an asset pool of financial instruments as collateral.

Considering both credit control and business expansion, the Bank shall request collaterals or guarantees to decrease the credit risk. The permitted collaterals and guarantees included mortgages on real estate or properties (i.e., land, building, machinery, car, ship, aircraft, etc.), pledges of securities or other rights (i.e., certificates of deposit; various bonds, or stocks), guarantees provided by the government agencies, banks, or credit guarantee institutions authorized by the government, and any other guarantees or collaterals approved by the Bank.

2) Master netting agreement

The Bank's transactions are usually settled individually without bundling or netting with any other transactions. However, the Bank also enters into netting agreements or chooses to settle net and terminates the deal if the counterparty is in default.

3) Other credits enhancement

The Bank's credit contract contains the term that the Bank is entitled to offset the obligation by claiming the deposits of the borrower who are in default to mitigate credit risk.



- (vi) The maximum credit exposure to the credit risk of financial assets (without considering the allowance for bad debt, collaterals and guarantees)
 - 1) As of December 31, 2020 and 2019, the amounts of maximum credit risk exposure to the credit risk displayed by credit rating are as follows:

	_			iscounts and loans		
	_		D	December 31, 2020	Credit	
	_12	2 month ECLs	Lifetime ECLs —not impaired	Lifetime ECLs — impaired	impairments of originated or purchased new financial assets —impaired	Total
Credit rating			4.5.05.6	225.550		4 004 400 050
Low	\$	1,000,957,806	15,376	225,668	-	1,001,198,850
Medium		899,667,463	128,571,215	2,595,166	-	1,030,833,844
High		23,794,713	32,392,491	5,671,606	-	61,858,810
Others	_	808,655,559	471,476	10,851,884		819,978,919
Gross carrying amount		2,733,075,541	161,450,558	19,344,324	-	2,913,870,423
Allowance for bad debts		(21,310,143)	(1,721,279)	(4,748,114)	-	(27,779,536)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans					(16,886,367)	(16,886,367)
Total	\$	2,711,765,398	159,729,279	14,596,210	(16,886,367)	2,869,204,520
						<u>_</u> ;
	_			ecember 31, 2019		
		2 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Credit impairments of originated or purchased new financial assets — impaired	Total
Credit rating						
Low	\$	930,791,741	17,869	155,942	-	930,965,552
Medium		960,430,171	54,963,853	2,371,916	-	1,017,765,940
High		26,639,778	29,449,744	5,749,253	-	61,838,775
Others						
Others	_	693,302,928	592,129	16,819,383		710,714,440
Gross carrying amount	_	693,302,928 2,611,164,618	592,129 85,023,595	16,819,383 25,096,494		710,714,440 2,721,284,707
	_					
Gross carrying amount	_	2,611,164,618	85,023,595	25,096,494	- - - (15,272,836)	2,721,284,707
Gross carrying amount Allowance for bad debts Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	- s_	2,611,164,618	85,023,595	25,096,494	(15,272,836)	2,721,284,707 (29,870,647)

		Debt instru	ments measi	ured at	fair value thr	ough other comprehensi	ve income
				D	ecember 31,	2020	
Credit ration	_12	month ECLs	Lifetime E		Lifetime EC		Total
Credit rating Aaa~Baa3	\$	894,207,996					894,207,996
Ba1~Ba3	J	1,249,996	- 5/	5,820	-	-	1,795,816
Gross carrying amount		895,457,992		15,820			896,003,812
Allowance for impairment		(100,415)		9,353)		_	(119,768)
Valuation adjustment		(100,413)	- (1	,,,,,,,,		2,661,929	2,661,929
Total	\$	895,357,577	52	26,467		2,661,929	898,545,973
	-	Dobt instru	ments meas	ured at	fair value thr	ough other comprehensi	ve income
		Debt instru	ments meas		ecember 31,		ve income
	_12	month ECLs	Lifetime E		Lifetime EC		Total
Credit rating							
Aaa~Baa3	\$	913,067,917	-		-	-	913,067,917
Ba1~Ba3	_	2,821,595	30	2,385			3,123,980
Gross carrying amount		915,889,512	30	2,385	-	-	916,191,897
Allowance for impairment		(80,477)	((8,801)	-	-	(89,278)
Valuation adjustment		-				1,602,351	1,602,351
Total	\$	915,809,035	29	3,584		1,602,351	917,704,970
			De	ebt instr	uments meas December	ured at amortized cost	
					December	31, 2020	
Credit rating		12 mont	th ECLs		me ECLs— impaired	Lifetime ECLs— impaired	Total
Aaa~Baa3		\$ 1	43,270,874		_	_	143,270,874
Ba1~Ba3		•	12,862,291		_	_	12,862,291
Gross carrying amount			56,133,165		_		156,133,165
Accumulated impairment			(40,113)		_	-	(40,113)
Total		\$ 1	56,093,052		-		156,093,052
			De	ebt instr	uments meas December	ured at amortized cost	
					December	01, 201)	
Conditional or		12 mont	th ECLs		me ECLs— impaired	Lifetime ECLs— impaired	Total
Credit rating Aaa~Baa3		\$ 1	50 596 600				150 596 600
Aaa~Baa3 Ba1~Ba3			59,586,690		-	-	159,586,690
Gross carrying amount			17,663,192 77,249,882				17,663,192 177,249,882
Accumulated impairment		1			-	-	(43,107)
Total		\$ 1	(43,107) 77,206,775				177,206,775
101111		<u>р</u> 1	11,200,113				177,200,773



Page			Letter	· of Credit Receival	des and Guarantee	for Trade Receivable	29
			Letter				
Low			month ECLs	Lifetime ECLs	Lifetime ECLs	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total
Medium	ě.	•	67.510.065				67.510.065
High		3		2 107 294	995 252	-	
Others 10,794,870 428,643 1 - 11,223,514 Gross carrying amount 134,825,364 4,000,139 944,408 - 139,769,911 Allowance for bad debts(Guarnete reserve and other reserve) (425,959) (66,713) (62,802) - (555,474) Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans \$ 134,399,405 3,933,426 881,606 (848,754) 138,365,683 Total \$ 134,399,405 3,933,426 881,606 (848,754) 138,365,683 Total Leters of Receivables and Guarantee for Trade Receivables and Capacity in Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans Lifetime ECLs and Guarantee for Trade Receivables and Deal with Nonperforming / Nonaccrual Loans Total Credit rating 12 month ECLs 2,322,907 650,649 - 62,357,573 High 91,214 136,773 5,800 - 233,788 Others 6,178						-	
Cross carrying amount 134,825,364 4,000,139 944,408 - 139,769,911	=					-	
Allowance for bad debts(Guarante reserve) (425,959) (66,713) (62,802) - (555,474)		_					
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans Total Salaa, 399,405 3,933,426 881,606 (848,754) 138,365,683	Allowance for bad debts(Guarantee					-	
Letter Gredit Receivables and Guarantee Forcade Receivables Forcade Receivables Procedures for Institutions to Procedures for Pro	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming /					(848,754)	(848,754)
Credit rating Low \$ 56,314,438 2,345 - - 56,316,783 Medium 59,114,017 2,592,907 650,649 - 62,357,573 High 91,214 136,774 5,800 - 233,788 Others 6,178,217 350,944 29,352 - 6,558,513 Gross carrying amount 121,697,886 3,082,970 685,801 - 125,466,657 Allowance for bad debts(Guarantee reserve and other reserve) Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans Nonaccr	Total	\$	134,399,405	3,933,426	881,606	(848,754)	138,365,683
Lifetime ECLs							
Low \$ 56,314,438 2,345 - - 56,316,783 Medium 59,114,017 2,592,907 650,649 - 62,357,573 High 91,214 136,774 5,800 - 233,788 Others 6,178,217 350,944 29,352 - 6,558,513 Gross carrying amount 121,697,886 3,082,970 685,801 - 125,466,657 Allowance for bad debts(Guarantee reserve) (358,951) (11,252) (99,529) - (469,732) Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans (861,766) (861,766)		_	Letter	of Credit Receival Dec	oles and Guarantee cember 31, 201	9 Impairment	es
Medium 59,114,017 2,592,907 650,649 - 62,357,573 High 91,214 136,774 5,800 - 233,788 Others 6,178,217 350,944 29,352 - 6,558,513 Gross carrying amount 121,697,886 3,082,970 685,801 - 125,466,657 Allowance for bad debts(Guarantee reserve) (358,951) (11,252) (99,529) - (469,732) Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans (861,766) (861,766)				Dec	cember 31, 201	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	
High 91,214 136,774 5,800 - 233,788 Others 6,178,217 350,944 29,352 - 6,558,513 Gross carrying amount 121,697,886 3,082,970 685,801 - 125,466,657 Allowance for bad debts(Guarantee reserve and other reserve) Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	•		month ECLs	Dec	cember 31, 201	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total
Others 6,178,217 350,944 29,352 - 6,558,513 Gross carrying amount 121,697,886 3,082,970 685,801 - 125,466,657 Allowance for bad debts(Guarantee reserve and other reserve) (358,951) (11,252) (99,529) - (469,732) Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans (861,766) (861,766)	Low		month ECLs 56,314,438	Lifetime ECLs —not impaired 2,345	Lifetime ECLs —impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total 56,316,783
Gross carrying amount 121,697,886 3,082,970 685,801 - 125,466,657 Allowance for bad debts(Guarantee reserve and other reserve) Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Low Medium		month ECLs 56,314,438 59,114,017	Lifetime ECLs —not impaired 2,345 2,592,907	Lifetime ECLs — impaired - 650,649	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total 56,316,783 62,357,573
Allowance for bad debts(Guarantee reserve) (358,951) (11,252) (99,529) - (469,732) reserve and other reserve) Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Low Medium High		month ECLs 56,314,438 59,114,017 91,214	Lifetime ECLs —not impaired 2,345 2,592,907 136,774	Lifetime ECLs —impaired - 650,649 5,800	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total 56,316,783 62,357,573 233,788
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans (861,766) (861,766) (861,766) (861,766) (861,766)	Low Medium High Others		month ECLs 56,314,438 59,114,017 91,214 6,178,217	Lifetime ECLsnot impaired 2,345 2,592,907 136,774 350,944	Lifetime ECLs - impaired - 650,649 5,800 29,352	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total 56,316,783 62,357,573 233,788 6,558,513
Total \$\ \[\frac{121,338,935}{2} \] \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	Low Medium High Others Gross carrying amount Allowance for bad debts(Guarantee		56,314,438 59,114,017 91,214 6,178,217 121,697,886	Lifetime ECLs <u>not impaired</u> 2,345 2,592,907 136,774 350,944 3,082,970	Lifetime ECLsimpaired 650,649 5,800 29,352 685,801	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total 56,316,783 62,357,573 233,788 6,558,513 125,466,657
	Low Medium High Others Gross carrying amount Allowance for bad debts(Guarantee reserve and other reserve) Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming /		56,314,438 59,114,017 91,214 6,178,217 121,697,886	Lifetime ECLs <u>not impaired</u> 2,345 2,592,907 136,774 350,944 3,082,970	Lifetime ECLsimpaired 650,649 5,800 29,352 685,801	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total 56,316,783 62,357,573 233,788 6,558,513 125,466,657 (469,732)

				Loan Com December		
				December	31, 2020	_
		12 mont	th ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating						
Low		\$	6,414,418	-	-	6,414,418
Others			54,476,005	203,568	777	154,680,350
Gross carrying amount		1	60,890,423	203,568	777	161,094,768
Allowance for bad debts (Loan commreserve)	itments		(14,385)	(1,474)	(420)	(16,279)
Total		\$ <u> </u>	60,876,038	202,094	357	161,078,489
				Loan Com December	mitments 31, 2019	
		-		<u> </u>	01,2012	
		12 mont	th ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating						
Low		\$	2,574,360	-	-	2,574,360
Others			20,467,884	227,556	482	420,695,922
Gross carrying amount		4	23,042,244	227,556	482	423,270,282
Allowance for bad debts (Loan commireserve)	itments		(17,118)	(1,817)	(289)	(19,224)
Total		\$4	23,025,126	225,739	193	423,251,058
			Accounts Rec	ceivable(including o	ther financial assets)	
				December 31,	Z020 Impairment	
Credit rating	12 1	nonth ECLs	Lifetime EC — not impair		recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming Ls / Nonaccrual	Total
Aaa~Baa3	\$	6,148,231				6,148,231
Ba1~Caa1	Ψ	31,459	- A	374	77 -	35,910
Others		76,161,851	483,			76,780,172
Gross carrying amount (Note 1)		82,341,541	488,			82,964,313
Allowance for bad debts (Note 2)		(37,311)	,		065) -	(121,262)
Impairment recognized in accordance with "Regulations Governing the Procedures for		(5,511)	(0,	(17,	(49,852)	(49,852)
Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans						

Note 1: Restrictive deposit of the Bank amounted \$19,129 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$8,407,922 thousand were not included in the gross carrying amount of this table.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$10 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$11 thousand were not included in the allowance for bad debts of this table.



		Accounts Receivable(including other financial assets) December 31, 2019								
	12	month ECLs	Lifetime ECLs —not impaired	Lifetime ECLs — impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total				
Credit rating										
Aaa~Baa3	\$	7,946,716	-	-	-	7,946,716				
Ba1~Caa1		117,303	4,857	91	-	122,251				
Others		82,457,816	395,308	170,063		83,023,187				
Gross carrying amount (Note 1)		90,521,835	400,165	170,154	-	91,092,154				
Allowance for bad debts (Note 2)		(33,806)	(9,177)	(79,941)	-	(122,924)				
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans					(56,358)	(56,358)				
Total	\$	90,488,029	390,988	90,213	(56,358)	90,912,872				

Note 1: Restrictive deposit of the Bank amounted \$19,380 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$7,736,495 thousand were not included in the gross carrying amount of this table.

2) The assets in the balance sheet and off-balance sheet items held as collateral, master netting arrangement and other credit enhancements related information on the financial impact the maximum amount of the violence risk in credit risk shows in the following table:

Unit: In million of TWD

December 31, 2020		Collateral	General agreement of net amount settlement	Enhancement of other credits	Total
In balance sheet:					
Receivables					
Others	\$	995	46	3,568	4,609
Loans and discounts		1,413,378	-	1,500,492	2,913,870
Financial assets measured at fair value through profit or loss					
Others		4,714	-	-	4,714
Off-balance sheet					
Irrevocable loan commitments		51	-	161,044	161,095
Standby letters of credit		1,722	-	41,088	42,810
Financial guarantees	_	9,331		87,629	96,960
Total	\$_	1,430,191	46	1,793,821	3,224,058

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$10 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$13 thousand were not included in the allowance for bad debts of this table.

December 31, 2019		Collateral	General agreement of net amount settlement	Enhancement of other credits	Total
In balance sheet:					
Receivables					
Others	\$	1,195	171	3,945	5,311
Loans and discounts		1,450,838	-	1,270,447	2,721,285
Financial assets measured at fair value through profit or loss					
Others		3,328	-	-	3,328
Off-balance sheet					
Irrevocable loan commitments		262	-	423,008	423,270
Standby letters of credit		1,754	-	37,826	39,580
Financial guarantees	_	7,640		78,247	85,887
Total	\$_	1,465,017	<u>171</u>	1,813,473	3,278,661

The Management believes that the reason why the Bank can continuously manage and minimize the exposure of credit risk to off-balance sheet items is because a stricter review process is adopted, and cases are reviewed regularly in subsequent periods.

3) The Bank closely observes the value of collateral for financial instruments, and considers the allowance for impairment of credit-impaired financial assets. Information about credit-impaired financial assets and the value of collateral which may decrease potential loss is shown below:

	December 31, 2020							
	Gı	ross carrying amount	Allowance for impairment (Legal reserves was not included)	Exposure amount (Amortized cost)	Fair value of collateral			
Impaired financial assets:								
Receivables								
Credit card business	\$	5,972	4,501	1,471	-			
Others		128,648	72,564	56,084	-			
Loans and discounts		19,344,324	4,748,114	14,596,210	12,895,755			
Total amount of impaired financial assets	\$	19,478,944	4,825,179	14,653,765	12,895,755			
			December	31, 2019				
	Gı	oss carrying	Allowance for impairment (Legal reserves was not included)	Exposure amount (Amortized cost)	Fair value of collateral			
Impaired financial assets:	-		<u>not included)</u>					
Receivables								
Credit card business	\$	5,999	4,787	1,212	-			
Others		146,155	75,154	71,001	9,699			
Loans and discounts		25,096,494	7,150,936	17,945,558	9,214,772			
Total amount of impaired financial assets	\$	25,248,648	7,230,877	18,017,771	9,224,471			



4) Financial assets not applicable for rules of impairment:

	D	ecember 31, 2020	December 31, 2019
Financial assets measured at fair value through profit or loss			
Debt instruments	\$	173,484,134	142,285,938
Derivative		11,635,350	10,699,762

(vii) Concentration of credit risk

When the transaction of financial instruments is concentrated in a single industry or region, the ability to oblige the contract would be impacted by similar factors, thereby, causing concentration of credit risk.

The credit risk of the Bank is derived from credit, placement with banks, call loans to banks, security investments and so on. Disclosures of concentration of credit risk by industries, regions and collaterals were as follows:

1) Industry

Unit: In million of TWD; %

		December 31	1, 2020	December 31, 2019		
Industry type	Book Value (Note 1)		%	Book Value (Note 2)	%	
Finance and insurance	\$	1,238,373	28.62 %	1,274,240	30.83 %	
Individuals		1,053,085	24.34 %	957,805	23.17 %	
Manufacturing		407,193	9.41 %	389,801	9.43 %	
Government Agencies		820,618	18.96 %	699,735	16.93 %	
Shipping, warehousing and communications		167,670	3.87 %	167,643	4.06 %	
Electricity and gas supply		114,998	2.66 %	124,155	3.00 %	
Others		525,083	12.14 %	519,823	12.58 %	
Total	\$	4,327,020	100.00 %	4,133,202	100.00 %	

Note 1: December 31, 2020

- (1) The carrying amounts include loans (\$2,913,870 million), call loans to banks, overdraft of banks and placement with banks (\$239,572 million), security investments (\$1,173,578 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$3,195 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

Note 2: December 31, 2019

- (1) The carrying amounts include loans (\$2,721,285 million), call loans to banks, overdraft of banks and placement with banks (\$220,647 million), security investments (\$1,191,270 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$3,154 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

2) Region

Unit: In million of TWD; %

		December 31	1, 2020	December 3	31, 2019
		Book		Book	
Areas type	Va	lue(Note 1)	%	Value(Note 2)	<u>%</u>
Domestic	\$	3,831,550	88.55 %	3,648,596	88.28 %
Foreign		495,470	11.45 %	484,606	11.72 %
Total	\$	4,327,020	100.00 %	4,133,202	100.00 %

Note 1: December 31, 2020

- (1) The carrying amounts include loans (\$2,913,870 million), call loans to banks, overdraft of banks and placement with banks (\$239,572 million), security investments (\$1,173,578 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$3,195 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

Note 2: December 31, 2019

- (1) The carrying amounts include loans (\$2,721,285 million), call loans to banks, overdraft of banks and placement with banks (\$220,647 million), security investments (\$1,191,270 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$3,154 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.



3) Collateral

Unit: In million of TWD; %

		December 31	, 2020	December 31	, 2019
Type of collateral	В	ook Value (Note 1)	%	Book Value (Note 1)	%
Non-secured	\$	1,321,714	45.37 %	1,270,447	46.69 %
Secured		1,592,156	54.63 %	1,450,838	53.31 %
Guarantee		179,249	6.15 %	140,240	5.15 %
Securities		68,914	2.36 %	74,881	2.75 %
Real estate		1,262,049	43.31 %	1,156,442	42.50 %
Chattel		81,814	2.81 %	79,163	2.91 %
Valuables		130	- %	112	- %
Total	\$	2,913,870	100.00 %	2,721,285	100.00 %

Note 1: The carrying amounts only contain loans which refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and non-performing loans (\$3,195 million at December 31, 2020; \$3,154 million at December 31, 2019).

Note 2: This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

Notes to the Consolidated Financial Statements

(viii) Changes in loss allowance

- 1) Changes in loss allowance of discounts and loans
- As of December 31, 2020 and 2019, the variation of the beginning and ending balances for loss allowance of discounts and loans were as follows: <u>a</u>)

			2	2020		
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona ccrual Loans	Total
Beginning balance	\$ 21,113,435	1,606,276	7,150,936	29,870,647	15,272,836	45,143,483
Changes due to financial instruments recognized as at beginning:						
-Transfer to lifetime expected credit losses	(159,475)	224,808	(65,333)	•		
-Transfer to lifetime ECL not credit impaired	(43,632)	(72,524)	116,156			
-Transfer to 12month expected credit losses	716,436	(624,112)	(92,324)	,		
-Financial assets that have been derecognized during the period	(2,714,607)	154,187	(1,987,670)	(4,548,090)		(4,548,090)
Originated or purchased new financial assets	2,539,113	264,071	210,185	3,013,369		3,013,369
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans					1,613,531	1,613,531
Bad debis written off	(795,893)	1	(1,270,403)	(2,066,296)		(2,066,296)
The recovery of bad debts written off	,		1,411,552	1,411,552		1,411,552
Foreign exchange and other movements	654,766	168,573	(724,985)	98,354		98,354
Ending balance	\$ 21,310,143	1,721,279	4,748,114	27,779,536	16,886,367	44,665,903
					Ī	Ī



			2	2019	1	
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	difference recorder in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona cerual Loans	Total
Beginning balance	\$ 20,114,026	1,805,624	4,887,531	26,807,181	12,580,303	39,387,484
Changes due to financial instruments recognized as at beginning:						
 Transfer to lifetime expected credit losses 	(161,720)	250,587	(88,867)			
- Transfer to lifetime ECL not credit impaired	(2,264,248)	(158,573)	2,422,821			
- Transfer to 12month expected credit losses	437,825	(334,322)	(103,503)	,		
- Financial assets that have been derecognized during the period	(3,986,558)	(66,070)	1,406,052	(2,646,576)		(2,646,576)
Originated or purchased new financial assets	3,250,613	91,334	499,441	3,841,388		3,841,388
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans					2,692,533	2,692,533
Bad debts written off		•	(3,315,238)	(3,315,238)		(3,315,238)
The recovery of bad debts written off	•	•	1,797,595	1,797,595		1,797,595
Foreign exchange and other movements	3,723,497	17,696	(354,896)	3,386,297		3,386,297
Ending balance	\$ 21,113,435	1,606,276	7,150,936	29,870,647	15,272,836	45,143,483

Notes to the Consolidated Financial Statements

b) As of December 31, 2020 and 2019, the carrying amounts of discounts and loans were as follows:

			2020	0	
				Lifetime ECLs (not purchased or	
			Lifetime ECLs (collectively	originated credit impaired financial	
	12	12 month ECLs	assessed)	assets)	Total
Beginning balance	S	2,611,164,618	85,023,595	25,096,494	2,721,284,707
- Transfer to lifetime expected credit losses		(114,931,841)	115,396,305	(464,464)	•
- Transfer to lifetime ECL not credit impaired		(5,318,616)	(1,456,074)	6,774,690	•
— Transfer to 12month expected credit losses		27,505,759	(26,918,797)	(586,962)	•
-Financial assets that have been derecognized during the period		(1,125,297,591)	(19,837,339)	(5,711,680)	(1,150,846,610)
Originated or purchased new discounts and loans		1,339,595,063	9,280,474	694,533	1,349,570,070
Bad debts written off		(795,893)		(1,270,403)	(2,066,296)
Changes form the amendments not leading to de recognition				(575)	(575)
Other movements		1,154,042	(37,606)	(5,187,309)	(4,070,873)
Ending balance	\$	2,733,075,541	161,450,558	19,344,324	2,913,870,423



			2019	6	
				Lifetime ECLs (not purchased or	
			Lifetime ECLs	originated credit	
	12	12 month ECLs	assessed)	assets)	Total
Beginning balance	s	2,516,142,368	57,424,435	22,847,975	2,596,414,778
- Transfer to lifetime expected credit losses		(65,836,891)	66,464,854	(627,963)	
- Transfer to lifetime ECL not credit impaired		(5,657,657)	(1,667,838)	7,325,495	
—Transfer to 12month expected credit losses		15,091,157	(14,458,971)	(632,186)	•
-Financial assets that have been derecognized during the period		(1,174,441,382)	(28,878,840)	(6,669,174)	(1,209,989,396)
Originated or purchased new discounts and loans		1,333,185,519	6,113,559	1,010,192	1,340,309,270
Bad debts written off		1		(3,315,238)	(3,315,238)
Changes form the amendments not leading to de recognition		ı	1	(3,823)	(3,823)
Other movements		(7,318,496)	26,396	5,161,216	(2,130,884)
Ending balance	€	2,611,164,618	85,023,595	25,096,494	2,721,284,707

Notes to the Consolidated Financial Statements

- Changes in loss allowance of debt instruments measured at fair value through other comprehensive income 7
- As of December 31, 2020 and 2019, the variation of the beginning and ending balances for loss allowance of debt instruments measured at fair value through other comprehensive income were as follows: a)

	Total	89,278			(14,779)	39,635	5,634	119,768
	Lifetime ECLs (not purchased or originated credit impaired financial assets)							
2020	I Lifetime ECLs	8,801		865	ı	ı	9,687	19,353
	12 month ECLs	1 <u>'</u> -		(865)	(14,779)	39,635	(4,053)	100,415
		Beginning balance	Changes due to financial instruments recognized as at beginning:	- Transfer to lifetime expected credit losses	- Financial assets that have been derecognized during the period	Originated or purchased new financial assets	Foreign exchange and other movements	Ending balance



(Continued)

BANK OF TAIWAN AND SUBSIDIARY Notes to the Consolidated Financial Statements

			2019	6]	
				Lifetime ECLs (not	
				purchased or	
				originated credit impaired financial	
	12 mo	12 month ECLs	Lifetime ECLs	assets)	Total
Beginning balance	\$	76,773	6,172		82,945
Changes due to financial instruments recognized as at beginning:					
- Transfer to lifetime expected credit losses		(602)	602		1
-Financial assets that have been derecognized during the period		(19,716)	(6,172)		(25,888)
Originated or purchased new financial assets		26,905	•		26,905
Foreign exchange and other movements		(2,883)	8,199	-	5,316
Ending balance	æ	80,477	8,801		89,278

Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019, the carrying amounts of debt instruments measured at fair value through other comprehensive income were as follows: **p**

		Total	916,191,897	ı	(766,977,547)	749,720,006	(2,930,544)	896,003,812		Total	1,040,279,253	ı	(874,967,616)	752,464,617	(1,584,357)	916,191,897
	Lifetime ECLs (not purchased or originated credit impaired financial	assets)	1	ı	ı	ı	 -	•		Lifetime ECLs (not purchased or originated credit impaired financial assets)		ı	ı	ı	-	
2020	.	Lifetime ECLs	302,385	289,806	ı	1	(46,371)	545,820	2019	I Lifetime ECLs	1,092,208	307,664	(1,092,208)	1	(5,279)	302,385
		12 month ECLs	915,889,512	(289,806)	(766,977,547)	749,720,006	(2,884,173)	895,457,992		12 month ECLs	1,039,187,045	(307,664)	(873,875,408)	752,464,617	(1,579,078)	915,889,512
			Beginning balance	— Transfer to lifetime expected credit losses	-Financial assets that have been derecognized during the period	Originated or purchased new financial assets	Other movements	Ending balance			Beginning balance	— Transfer to lifetime expected credit losses	- Financial assets that have been derecognized during the period	Originated or purchased new financial assets	Other movements	Ending balance



3) Changes in loss allowance of debt instruments measured at amortized cost

As of December 31, 2020 and 2019, the variation of the beginning and ending balances for loss allowance of debt instruments measured at amortized cost were as follows: a

	Total	43,107	(16,323)	12,752	577	40,113
0.	Lifetime ECLs (not purchased or originated credit impaired financial assets)	ı		1	•	
2020	Lifetime ECLs	ı	ı	ı	ı	
	12 month ECLs	\$ 43,107	(16,323)	12,752	577	\$ 40,113
		Beginning balance	- Financial assets that have been derecognized during the period	Originated or purchased new financial assets	Foreign exchange and other movements	Ending balance

Notes to the Consolidated Financial Statements

			20	2019	
				Lifetime ECLs (not purchased or	
	12 mon	13 month FCI s	I ifotimo FCI s	originated credit impaired financial	Total
Beginning balance	\$	49,536	-	asses)	49,536
- Financial assets that have been derecognized during the period		(23,299)	1	•	(23,299)
Originated or purchased new financial assets		20,203	1		20,203
Foreign exchange and other movements		(3,333)		'	(3,333)
Ending balance	S	43,107	1	•	43,107

As of December 31, 2020 and 2019, the carrying amounts of debt instruments measured at amortized cost were as follows: **p**

		Total	177,249,882	(60,191,933)	39,947,176	(871,960)	156,133,165
0	Lifetime ECLs (not purchased or originated credit impaired financial	assets)		ı			
2020		Lifetime ECLs	ı			1	
		12 month ECLs	\$ 177,249,882	(60,191,933)	39,947,176	(871,960)	\$ 156,133,165
			Beginning balance	- Financial assets that have been derecognized during the period	Originated or purchased new financial assets	Other movements	Ending balance

		2019	61	
			Lifetime ECLs (not	
			purchased or	
			originated credit	
	12 month ECLs	Lifetime ECLs	mparred imaneral assets)	Total
Beginning balance	\$ 167,874,228			167,874,228
-Financial assets that have been derecognized during the period	(57,820,925)			(57,820,925)
Originated or purchased new financial assets	67,967,048			67,967,048
Other movements	(770,469)	'	'	(770,469)
Ending balance	\$ 177,249,882	'		177,249,882

Notes to the Consolidated Financial Statements

- 4) Changes in guarantee reserve and other reserve
- As of December 31, 2020 and 2019, the variation of the beginning and ending balances for loss allowance of letter of credit receivables and guarantee for trade receivables (guarantee reserve and other reserve) were as follows: a)

	Total	1,331,498					(169,053)	169,247	(13,012)	85,548	1,404,228
	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona cerual Loans	861,766							(13,012)		848,754
2020	The loss allowances measured in accordance with IFRS 9	469,732					(169,053)	169,247		85,548	555,474
20	Lifetime ECLs (not purchased or originated credit impaired financial assets)	99,529		•	672		(43,860)	7,624		(1,163)	62,802
	Lifetime ECLs	11,252		2,773	(641)	(5)	(3,527)	17,143		39,718	66,713
	12 month ECLs	\$ 358,951		(2,773)	(31)	5	(121,666)	144,480	•	46,993	\$ 425,959
		Beginning balance	Changes due to financial instruments recognized as at beginning:	- Transfer to lifetime expected credit losses	- Transfer to lifetime ECL not credit impaired	- Transfer to 12month expected credit losses	- Financial assets that have been derecognized during the period	Originated or purchased new financial assets	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming /Nonaccrual Loans	Foreign exchange and other movements	Ending balance



Total 1,280,476 (355,524) 143,727 1,331,498 202,520 60.299 Evaluate Assets and Deal with Nonperforming/Nona ccrual Loans Impairment difference recognized in accordance with 143,727 861,766 Governing the Procedures for Institutions to "Regulations measured in accordance with IFRS 9 (355,524) 60,299 469,732 202,520 allowances The loss 2019 (49) credit impaired financial (133,860)assets) 153,403 11,551 68,484 99,529 Lifetime ECLs (not purchased or originated Lifetime ECLs 33,540 (15,408)(7,863)2,869 (1,959)11,252 (73) 15,457 (213,801) 188,100 (6,226)358,951 12 month ECLs \$ 375,494 Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming -Financial assets that have been derecognized during the period Changes due to financial instruments recognized as at beginning: -Transfer to 12month expected credit losses -Transfer to lifetime expected credit losses Originated or purchased new financial assets Foreign exchange and other movements /Nonaccrual Loans Beginning balance Ending balance

Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019, the carrying amounts of letter of credit receivables and guarantee for trade receivables were as follows: **p**

			2020		
			_	Lifetime ECLs (not purchased or originated credit	
	12 mo	12 month ECLs	Lifetime ECLs	impaired financial assets)	Total
Beginning balance	8	121,697,886	3,082,970	685,801	125,466,657
 Transfer to lifetime expected credit losses 		(891,681)	891,681	1	
— Transfer to lifetime ECL not credit impaired		(7,501)	(49,970)	57,471	•
- Transfer to 12month expected credit losses		7,724	(7,724)	1	
-Financial assets that have been derecognized during the period		(53,373,240)	(478,129)	(444,361)	(54,295,730)
Originated or purchased new discounts and loans		67,405,743	561,311	645,497	68,612,551
Other movements		(13,567)			(13,567)
Ending balance	∽	134,825,364	4,000,139	944,408	139,769,911



			2019		
				Lifetime ECLs (not	
				purchased or	
				originated credit	
				impaired financial	
	12 m	12 month ECLs	Lifetime ECLs	assets)	Total
Beginning balance	\$	111,293,200	2,027,575	456,746	113,777,521
- Transfer to lifetime expected credit losses		(2,523,186)	2,523,186		
- Transfer to lifetime ECL not credit impaired		(105,318)	ı	105,318	
- Transfer to 12month expected credit losses		761,697	(754,183)	(7,514)	1
-Financial assets that have been derecognized during the period		(58,724,990)	(570,954)	(371,794)	(59,667,738)
Originated or purchased new discounts and loans		71,005,404	210,990	503,045	71,719,439
Other movements		(8,921)	(353,644)		(362,565)
Ending balance	9	121,697,886	3,082,970	685,801	125,466,657

Notes to the Consolidated Financial Statements

- 5) Changes in loan commitments reserve
- As of December 31, 2020 and 2019, the variation of the beginning and ending balances for loss allowance of loan commitments (loan commitments reserve) were as follows: a)

			2020	07	
				Lifetime ECLs (not	
				purchased or	
				originated credit impaired financial	
	12 month ECLs	h ECLs	Lifetime ECLs	assets)	Total
Beginning balance	€	17,118	1,817	289	19,224
Changes due to financial instruments recognized as at beginning:					
 Transfer to lifetime expected credit losses 		(118)	118	•	1
- Transfer to lifetime ECL not credit impaired			(14)	14	
— Transfer to 12month expected credit losses		2,314	(2,314)		ı
-Financial assets that have been derecognized during the period		(13,954)	(1,046)	(909)	(15,506)
Originated or purchased new financial assets		11,439	1,082	223	12,744
Foreign exchange and other movements		(2,414)	1,831	400	(183)
Ending balance	\$	14,385	1,474	420	16,279

(Continued)

BANK OF TAIWAN AND SUBSIDIARY Notes to the Consolidated Financial Statements

			2019		
				Lifetime ECLs (not purchased or	
				originated credit impaired financial	
	12 mont	12 month ECLs	Lifetime ECLs	assets)	Total
Beginning balance	8	13,309	2,067	236	15,612
Changes due to financial instruments recognized as at beginning:					
 Transfer to lifetime expected credit losses 		(145)	145	ı	•
- Transfer to lifetime ECL not credit impaired			(10)	10	•
—Transfer to 12month expected credit losses		2,525	(2,525)	ı	•
-Financial assets that have been derecognized during the period		(1,385)	(1,333)	(734)	(3,452)
Originated or purchased new financial assets		14,546	1,251	379	16,176
Foreign exchange and other movements		(11,732)	2,222	398	(9,112)
Ending balance	9	17,118	1,817	289	19,224

Notes to the Consolidated Financial Statements

b) As of December 31, 2020 and 2019, the carrying amounts of loan commitments were as follows:

		2020	0	
			Lifetime ECLs (not	
			purchased or	
			originated credit	
			impaired financial	
	12 month ECLs	Lifetime ECLs	assets)	Total
Beginning balance	\$ 423,042,244	227,556	482	$423,270,28\overline{2}$
 Transfer to lifetime ECL not credit impaired 		(1,762)	1,762	1
-Financial assets that have been derecognized during the period	(279,936,301)	(606,409)	(2,167)	(280,544,877)
Originated or purchased new discounts and loans	17,787,280	584,183	200	18,372,163
Other movements	(2,800)	-	•	(2,800)
Ending balance	\$ 160,890,423	203,568	777	161,094,768
		2019	6	
	12 month ECI s	1 ifatima FCI e	Lifetime ECLs (not purchased or originated credit impaired financial	Total
Beginning balance	\$ 414,843,942	239,090	434	415,083,466
- Transfer to lifetime ECL not credit impaired	•	(1,530)	1,530	ı
-Financial assets that have been derecognized during the period	(411,783,942)	(638,463)	(2,430)	(412,424,835)
Originated or purchased new discounts and loans	419,982,244	628,459	948	420,611,651
Ending balance	\$ 423,042,244	227,556	482	423,270,282

6) Changes in loss allowance of receivables(including other financial assets)

As of December 31, 2020 and 2019, the variation of the beginning and ending balances for loss allowance of receivables were as follows: a)

			•			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/ona cerual Loans	Total
Beginning balance (Note 1)	\$ 33,806	9,177	79,941	122,924	56,358	179,282
Changes due to financial instruments recognized as at beginning:						
- Transfer to lifetime expected credit losses	(528)	730	(202)	,		,
-Transfer to lifetime ECL not credit impaired	(144)	(268)	412	,		,
-Transfer to 12month expected credit losses	2,405	(2,000)	(405)			
-Financial assets that have been derecognized during the period	(23,224)	(4,909)	(40,951)	(69,084)		(69,084)
Originated or purchased new financial assets	24,336	4,551	26,911	55,798		55,798
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans					(6,506)	(9,506)
Bad debts written off		(168)	(7,781)	(7,949)		(7,949)
The recovery of bad debts written off		•	8,068	8,068		8,068
Foreign exchange and other movements	099	(227)	11,072	11,505	, ,	11,505
Ending balance (Note 2)	\$ 37,311	6,886	77,065	121,262	49,852	171,114

Note 1: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$10 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$13 thousand were not included.

Accumulated impairment recognized in restrictive deposit of the Bank amounted \$10 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$11 thousand were not included. Note 2:

			2	2019		
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona cerual Loans	Total
Beginning balance (Note 1)	\$ 69,619	12,152	49,008	130,779	48,779	179,558
Changes due to financial instruments recognized as at beginning:						
-Transfer to lifetime expected credit losses	(915)	1,204	(289)	,		
-Transfer to lifetime ECL not credit impaired	(232)	(439)	671			
-Transfer to 12month expected credit losses	1,483	(1,135)	(348)	•		
-Financial assets that have been derecognized during the period	(48,230)	(7,284)	(23,025)	(78,539)		(78,539)
Originated or purchased new financial assets	14,893	4,669	50,010	69,572		69,572
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	•				7,579	7,579
Bad debts written off	(16)	(1,155)	(11,218)	(12,389)		(12,389)
The recovery of bad debts written off		•	12,836	12,836		12,836
Foreign exchange and other movements	(2,796)	1,165	2,296	999	,	999
Ending balance (Note 2)	\$ 33,806	9,177	79,941	122,924	56,358	179,282

Note 1: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$11 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$1,022 thousandwere not included.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$10 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$13 thousand were not included.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019, the carrying amounts of receivables were as follows: **P**

			2020	0	
				Lifetime ECLs (not purchased or	
			Lifetime ECLs	originated credit	
	12 month ECLs	ECLS	assessed)	assets)	Total
Beginning balance (Note 1)	8	90,521,835	400,165	170,154	91,092,154
 Transfer to lifetime expected credit losses 		(347,012)	348,431	(1,419)	•
- Transfer to lifetime ECL not credit impaired		(12,170)	(11,306)	23,476	•
-Transfer to 12month expected credit losses		83,620	(81,601)	(2,019)	•
-Financial assets that have been derecognized during the period	(1)	(17,535,419)	(367,445)	(87,085)	(17,989,949)
Originated or purchased new discounts and loans	3	37,785,130	197,499	71,776	38,054,405
Bad debts written off	•		(168)	(7,781)	(7,949)
Other movements	(2	(28,154,443)	2,577	(32,482)	(28, 184, 348)
Ending balance (Note 2)	& 	82,341,541	488,152	134,620	82,964,313

Restrictive deposit of the Bank amounted \$19,380 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$7,736,495 thousand were not included. Note 1:

Restrictive deposit of the Bank amounted \$19,129 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$8,407,922 thousand were not included. Note 2:

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

			2019	6	
				Lifetime ECLs (not purchased or	
			Lifetime ECLs (collectively	originated credit impaired financial	
	12 1	12 month ECLs	assessed)	assets)	Total
Beginning balance (Note 1)	S	97,242,805	839,357	109,727	98,191,889
 Transfer to lifetime expected credit losses 		(275,135)	277,042	(1,907)	
- Transfer to lifetime ECL not credit impaired		(6,068)	(17,484)	23,552	
- Transfer to 12month expected credit losses		205,241	(203,067)	(2,174)	
-Financial assets that have been derecognized during the period		(18,229,010)	(685,049)	(63,363)	(18,977,422)
Originated or purchased new discounts and loans		15,236,816	194,197	77,892	15,508,905
Bad debts written off		(16)	(1,155)	(11,218)	(12,389)
Other movements		(3,652,798)	(3,676)	37,645	(3,618,829)
Ending balance (Note 2)	%	90,521,835	400,165	170,154	91,092,154

Restrictive deposit of the Bank amounted \$19,469 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$7,283,748 thousand were not included. Note 1:

Restrictive deposit of the Bank amounted \$19,380 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$7,736,495 thousand were not included. Note 2:



c) BOT's department of government employees' insurance adopts simplification method to estimate expected credit losses of receivables (including accrued income, premiums receivable, and other receivable), namely, measures expected credit losses for a life time. For the purpose of measurement, these notes receivables and account receivables are classified based on credit risk characteristics reflected the borrower's ability to meet its contractual obligations. Analysis of receivables held by BOT's department of government employees' insurance at December 31, 2020 and 2019 is shown below:

		D	ecember 31, 2020)
	(Gross amounts of account receivables	Weighted average expected loss rate	Allowance for expected credit loss for a life time
Non-overdue	\$	8,404,940	0%	-
Overdue less than 30 days		1,841	0%	-
Overdue 31~60 days		252	0%	-
Overdue 61~90days		252	0%	-
Overdue more than 91 days	_	637	1.73%	11
	\$_	8,407,922		11

		D	ecember 31, 2019)
		ross amounts of account receivables	Weighted average expected loss rate	Allowance for expected credit loss for a life time
Non-overdue	\$	7,730,746	0%	-
Overdue less than 30 days		4,430	0%	-
Overdue 31~60 days		622	0%	-
Overdue 61~90days		-	0%	-
Overdue more than 91 days		697	1.87%	13
	\$	7,736,495		13

The movements of allowance for impairment of account receivables held by BOT's department of government employees' insurance:

	20	020	2019
Beginning balance	\$	13	1,022
Impairment recognized (reversed)		(2)	13
Uncollectable amounts written-off	-	<u>- </u>	(1,022)
Ending balance	\$	<u> </u>	13

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

- (ix) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks
 - 1) Asset Quality of overdue loans and receivables

		De	cember 31, 2020			
Type / Ite	em	Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt	Coverage ratio(%) (Note 4)
Enterprise	Secured	1,395,397	624,245,704	0.22 %	10,721,105	768.32 %
	Non secured	767,012	1,287,152,232	0.06 %	21,566,562	2,811.76 %
	House mortgage (Note 5)	1,250,192	753,033,939	0.17 %	8,626,906	690.05 %
	Cash card	-	-	- %	-	- %
Consume	Micro credit (Note 6)	16,296	4,896,622	0.33 %	113,811	698.40 %
finance	Others Secured	913,134	216,588,331	0.42 %	3,142,790	344.18 %
•	(Note 7) Non secured	136,831	27,957,886	0.49 %	494,729	361.56 %
Total		4,478,862	2,913,874,714	0.15 %	44,665,903	997.26 %
		Overdue receivables	Account receivable	Ratio (%)	Allowance for bad debt	Cover ratio
Credit car	d business	911	880,911	0.10 %	9,480	1,040.56 %
Non-recou	urse factoring (Note 8)	-	9,753,258	- %	50,050	- %

		De	cember 31, 2019			
Type / Ite	em	Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt	Coverage ratio(%) (Note 4)
Enterprise	Secured	1,577,012	574,952,892	0.27 %	11,346,887	719.52 %
	Non secured	434,118	1,237,329,936	0.04 %	22,380,197	5,155.33 %
	House mortgage (Note 5	1,721,662	668,277,103	0.26 %	7,797,529	452.91 %
	Cash card	-	-	- %	-	- %
Consumer	Micro credit (Note 6)	25,627	4,364,249	0.59 %	115,839	452.02 %
	Others Secured	1,030,119	207,608,452	0.50 %	3,013,007	292.49 %
	(Note 7) Non secured	157,037	28,755,789	0.55 %	490,024	312.04 %
Total	•	4,945,575	2,721,288,421	0.18 %	45,143,483	912.81 %
		Overdue receivables	Account receivable	Ratio (%)	Allowance for doubtful debt	Cover ratio
Credit car	d business	2,075	889,817	0.23 %	10,639	512.70 %
Non-recou	urse factoring (Note 8)	-	12,132,076	- %	60,346	- %

- Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).
- Note 2: The carrying amount of discount and premium adjustment was not included in total amount of loans.
- Note 3: Ratio of nonperforming loans: Nonperforming loans÷Outstanding loan balance. Ratio of nonperforming credit card receivables: Nonperforming credit card receivables÷Outstanding credit card receivables balance.
- Note 4: Coverage ratio of loans: Allowance for possible losses for loans÷Nonperforming loans. Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables÷Nonperforming credit card receivables.
- Note 5: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.
- Note 6: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.
- Note 7: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgages, cash cards, credit cards and small-scale credit loans.
- Note 8: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494),non-recourse factoring are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.



2) Non-performing Loans and Overdue Receivables Exempted from Reporting

Unit: In thousand of TWD

	Decembe	r 31, 2020	January	1, 2019
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement	130	-	218	-
As a result of debt solvency and restart plan	10,641	18,116	15,346	18,676
Total	10,771	18,116	15,564	18,676

3) Concentration of Credit Risk

Unit: In million of TWD; %

	December 31, 2	020	
Rank	Group Name	Credit Extensions Balance	% of Net Asset Value
1	A company—Rail Transport	50,716	13.24 %
2	B group — Air Transport	55,414	14.46 %
3	C group—Ocean Transport	31,307	8.17 %
4	D group — Air Transport	23,177	6.05 %
5	E group—Retail Sale in Nonspecialized Stores	22,083	5.76 %
6	F group—Real Estate Development Activities	20,558	5.37 %
7	G group—Cable Television	17,332	4.52 %
8	H group—Smelting and Refining of Iron and Steel	16,615	4.34 %
9	I group — Real Estate Development Activities	15,834	4.13 %
10	J group—Manufacture of Made-up Textile Articles	15,459	4.03 %

	December 31, 2	019	
Rank	Group Name	Credit Extensions Balance	% of Net Asset Value
1	A company—Rail Transport	54,250	14.33 %
2	B group—Air Transport	44,755	11.82 %
3	C group—Ocean Transport	31,868	8.42 %
4	D group—Retail Sale in Nonspecialized Stores	19,270	5.09 %
5	E group—Manufacture of Made-up Textile Articles	19,089	5.04 %
6	F group—Smelting and Refining of Iron and Steel	17,919	4.73 %
7	G group—Cable Television	16,511	4.36 %
8	H group—Real Estate Development Activities	13,948	3.69 %
9	I group — Air Transport	13,915	3.68 %
10	J group—Real Estate Development Activities	13,380	3.54 %

4) Average balance and current average interest rates of interest-bearing assets and liabilities

	December	31, 2020		on of TWD; % r 31, 2019
	Average	Average interest rate (%)	Average	Average interest rate (%)
Interest earnings assets				
Call loans and placement with banks	\$ 228,949,987	1.62	219,739,225	2.65
Placement with Central Bank	422,093,370	0.54	418,045,686	0.70
Financial assets	1,027,593,399	0.81	1,070,713,737	1.01
Negotiation, discounts and total loans	2,813,029,445	1.32	2,733,570,115	1.60
Interest bearing liabilities				
Deposit of Central Bank	14,414,045	-	14,603,311	-
Deposits and call loans from banks	259,989,920	0.65	278,077,443	1.76
Loans to Central Bank and banks	4,492,488	0.10	-	-
Demand deposits	446,321,725	0.10	393,322,729	0.24
Demand savings	1,046,326,287	0.39	1,002,993,486	0.47
Time savings	1,554,787,720	1.30	1,578,862,716	1.48
Time deposits	667,891,086	1.18	682,266,007	1.92
Government deposits	314,278,755	0.12	299,605,555	0.18
Structured products	1,208,970	1.52	1,109,138	2.79
Financial bonds	25,000,000	1.08	25,000,000	1.22

Note:1. Each average balance is calculated by respectively summing up the daily average balances and then dividing the number of days in the year starting from January to the financial statement date.

^{2.} The balances are derived from the Department of banking, credit cards, trusts and securities.



(d) Liquidity Risk

(i) Causes and definition of liquidity risk

The definition for liquidity risk is the Bank encounter difficulty in meeting the obligations with its financial liabilities and causes the losses, for example, a saving account cancels its saving ahead of time, the ways or conditions to call loans to banks drop, creditors' credit become worsen and cause an exceptional condition, financial instruments cannot be financed and etc. The situation mentioned above may reduce the cash flow for lending, trading, and investing activities. In some extreme situation, the poor liquidity position may decrease the level of balance sheet, sale assets, or the possibility of not fulfilling the contractual loan balance. Liquidity risk is containing in the inherent risk of bank operation, and could be affected by a separate industry or whole market's incident, which are included but not only as: credit event, consolidation or merger and acquisition, system shock, and natural disaster.

(ii) Management policies of liquidity risk

- 1) To optimize the structure of assets and liabilities, the Bank set up an Assets and Liabilities Management Committee of which the chairperson is the general manager and the vice chairpersons are the vice general managers to decide the direction of assets and liabilities management, to manage the liquidity portion and interest rate risk, and to review the structure of deposits and loans and so on.
- 2) To enforce the management of liquidity and interest rate risk and maintain suitable liquidity for higher effectiveness of capital and good operations, the Bank set up policies for liquidity and interest rate risk. The assets and Liabilities Management Committee conducts necessary monitoring procedures. The Risk Management Department prepares risk-monitoring reports periodically and reports to the Risk Management Committee and then the Board of Directors.

3) Management of liquidity risk

- a) Maintain liquidity reserve ratio: According to "Liquidity Guidelines for Financial Institutions" published by the Central Bank, the Bank and subsidiary have to maintain the liquidity reserve ratio of deposit balances greater than 15%.
- b) Short term gap analysis: Calculate 1~10 day and 11~30 day gaps which should be greater than zero.
- c) Liquidity coverage ratio: calculate their liquidity coverage ratio and report it to the authorities on a monthly basis. In accordance with the "Standards Implementing the Liquidity Coverage Ratio of Banks" announced by FSC and Central Bank, the ratio shall be higher than 100%.
- d) Net stable funding ratio: Calculate their net stable funding ratio and report it to the authorities on a monthly basis. In accordance with the "Standards Implementing the Net Stable Funding Ratio of Banks" announced by FSC and Central Bank, the ratio shall be higher than 100%.

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

- e) Foreign currency gap management: Make sure the ratio of accumulated capital liquidity gap to each currency assets of the major foreign currencies of the Bank and subsidiary measured for every month and every term under one year between \pm 50% and \pm 40%.
- f) Fund management: Utilize the Assets and Liabilities Management Information System to analyze the gaps of assets and liabilities and the change of the structure. Allocate appropriate fund and adjust the fund structure according to financial status. For TWD fund management, the bank maintains appropriate cash and cashable securities on hand, draw up notice about TWD fund management and request every unit to notify on significant cash transactions, analyze the gaps for maturity amount of purchased bills, bonds and call loans to control the fund trend and decrease the liquidity risk. For foreign currencies, manage the financial gap of actual amount received on due date and payment in a year by using the maturity method.
- g) Establish "Bank of Taiwan operational crisis management plan" to prevent and response quickly to the crisis.
- (iii) Maturity date analysis of non derivative financial assets and liabilities

These tables represent the cash outflow analysis of non derivative financial liabilities of the Bank's major currencies according to the unexpired term of the contracts. The disclosed amounts are presented on the basis of contract cash flows, so some disclosed items are not correspond to the accounts in the financial statements. These tables don't include BankTaiwan Insurance Brokers.

Maturity analysis of assets and liabilities (United State Dollars)

Jnit:	In	thousand	USD
_			

December 31, 2020	1~30days	31~90days	91~180days	181day~1year	Over one year	Total
Cash and placement with banks	649,039	43,550	16,550	11,550	235	720,924
Call loans to banks and overdrafts	1,665,000	2,099,500	663,000	466,000	-	4,893,500
Investment securities	50,870	156,209	207,351	245,115	2,117,674	2,777,219
Loans (including overdue loans)	1,071,973	386,606	368,622	691,592	3,347,536	5,866,329
Interest receivables and income receivables	8,972	10,936	5,612	1,212	18,823	45,555
Other expired items	10,787,797	8,809,923	3,085,572	4,927,100	4,695,331	32,305,723
Total major matured capital inflow	14,233,651	11,506,724	4,346,707	6,342,569	10,179,599	46,609,250

December 31, 2020	1~30days	31~90days	91~180days	181day~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	3,507,512	669,000	30,000			4,206,512
Demand deposits	1,192,451	1,492,902	2,239,352	-	1,146,345	6,071,050
Time deposits	3,191,428	3,189,924	2,294,969	3,226,778	25	11,903,124
Borrowings	-	-	-	-	600,000	600,000
Interest payables	16,010	15,935	6,846	2,363	40,456	81,610
Loan Commitments	119,772	116,432	240,224	370,385	490,965	1,337,778
Equities	-	-	-	-	(10,328)	(10,328)
Other expired items	3,966,245	5,873,037	1,944,822	2,767,931	8,534,943	23,086,978
Total major matured capital outflow	11,993,418	11,357,230	6,756,213	6,367,457	10,802,406	47,276,724



Maturity analysis of assets and liabilities (New Taiwan Dollars)

Unit: In thousand TW	т

December 31, 2020	1~30days	31~90days	91~180days	181day~1year	Over one year	Total
Cash and placement with banks	70,677,167	206,382,844	73,806,749	70,376,742	46,162,910	467,406,412
Call loans to banks and overdrafts	705,000	10,000	-	-	-	715,000
Investment securities	656,981,820	57,273,286	74,730,426	203,126,898	257,519,307	1,249,631,737
Loans (including overdue loans)	224,887,312	249,983,315	261,184,099	415,266,191	1,547,696,191	2,699,017,108
Interest receivables and income receivables	3,400,518	2,436,309	1,530,815	1,299,624	93,706	8,760,972
Other expired items	87,844,413	149,517,745	42,295,956	113,281,990	272,331,539	665,271,643
Total major matured capital inflow	1,044,496,230	665,603,499	453,548,045	803,351,445	2,123,803,653	5,090,802,872

December 31, 2020	1~30days	31~90days	91~180days	181day~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	90,804,900	5,487,873	8,221,475	15,548,087	6,289,463	126,351,798
Demand deposits	64,588,026	47,330,378	44,425,626	60,316,331	1,492,017,559	1,708,677,920
Time deposits	358,793,424	243,879,116	292,614,371	727,865,082	140,291,962	1,763,443,955
Bills and bonds sold under repurchase agreements	1,301,008	1,905,146	1,275,737	-	-	4,481,891
Borrowings	12,196,425	2,562	2,892	3,405	25,002,379	37,207,663
Interest payables	4,564,277	598,344	1,247,997	628,495	307,725	7,346,838
Loan Commitments	78,778,890	157,403,615	236,182,505	472,365,010	596,931,239	1,541,661,259
Equities	-	-	-	-	381,326,311	381,326,311
Other expired items	250,679,316	216,387,444	81,886,484	139,638,886	132,159,141	820,751,271
Total major matured capital outflow	861,706,266	672,994,478	665,857,087	1,416,365,296	2,774,325,779	6,391,248,906

Maturity analysis of assets and liabilities (United State Dollars)

Unit: In thousand USD

December 31, 2019	1~30days	31~90days	91~180days	181day~1year	Over one year	Total
Cash and placement with banks	424,667	33,000	44,550	60,550	2,588	565,355
Call loans to banks and overdrafts	1,750,000	1,173,300	520,000	825,000	-	4,268,300
Investment securities	13,816	32,681	88,451	159,661	2,183,064	2,477,673
Loans (including overdue loans)	421,617	479,641	328,785	399,399	3,958,715	5,588,157
Interest receivables and income receivables	16,926	18,672	10,580	5,026	55,496	106,700
Other expired items	8,187,451	10,561,402	7,337,513	3,333,077	1,767,376	31,186,819
Total major matured capital inflow	10,814,477	12,298,696	8,329,879	4,782,713	7,967,239	44,193,004

December 31, 2019	1~30days	31~90days	91~180days	181day~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	2,562,967	986,800	100,000	15,000	-	3,664,767
Demand deposits	871,366	971,635	1,457,453	-	876,909	4,177,363
Time deposits	3,010,347	2,645,530	2,179,185	3,100,459	375	10,935,896
Borrowings	-	-	-	-	1,500,000	1,500,000
Interest payables	30,661	32,485	21,679	10,830	120,029	215,684
Loan Commitments	221,593	67,786	168,377	549,202	704,179	1,711,137
Equities	-	-	-	-	(59,815)	(59,815)
Other expired items	2,822,298	6,258,951	4,495,587	2,333,639	7,119,681	23,030,156
Total major matured capital outflow	9,519,232	10,963,187	8,422,281	6,009,130	10,261,358	45,175,188

Maturity analysis of assets and liabilities (New Taiwan Dollars)

I	Init:	In t	housa	nd l	IST

December 31, 2019	1~30days	31~90days	91~180days	181day~1year	Over one year	Total
Cash and placement with banks	51,529,676	207,522,262	74,186,089	71,269,782	40,859,907	445,367,716
Call loans to banks and overdrafts	6,625,000	-	-	-	10,000	6,635,000
Investment securities	684,379,289	52,426,185	77,987,626	198,061,066	222,845,695	1,235,699,861
Loans (including overdue loans)	195,050,349	248,789,474	252,710,482	394,875,046	1,402,441,506	2,493,866,857
Interest receivables and income receivables	3,872,391	2,658,215	2,033,934	1,357,912	42,826	9,965,278
Other expired items	71,206,001	152,939,076	98,546,043	96,563,366	284,683,815	703,938,301
Total major matured capital inflow	1,012,662,706	664,335,212	505,464,174	762,127,172	1,950,883,749	4,895,473,013

December 31, 2019	1~30days	31~90days	91~180days	181day~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	59,343,738	6,126,358	8,092,401	13,532,890	7,262,774	94,358,161
Demand deposits	56,056,764	41,078,634	38,557,562	52,349,306	1,294,940,898	1,482,983,164
Time deposits	385,266,473	252,470,787	285,386,675	737,654,628	163,632,039	1,824,410,602
Bills and bonds sold under repurchase agreements	1,784,484	17,289,302	697,820	2,563	-	19,774,169
Borrowings	25	3,587	4,048	4,777	25,004,036	25,016,473
Interest payables	5,027,425	698,414	1,254,603	795,019	395,420	8,170,881
Loan Commitments	93,619,947	187,056,686	280,676,633	561,353,266	709,386,373	1,832,092,905
Equities	-	-	-	-	376,479,551	376,479,551
Other expired items	178,401,682	291,454,294	166,532,442	79,521,988	140,840,739	856,751,145
Total major matured capital outflow	779,500,538	796,178,062	781,202,184	1,445,214,437	2,717,941,830	6,520,037,051

(iv) Maturity analysis of derivatives

Unit: In thousand of TW	D

December 31, 2020 Derivative financial instruments	1.Overdue less than 1 month	2.Overdue 1 to 3 months	3.Overdue 3 to 6 months	4.Overdue 6 months to 1 year		6.Overdue more than 5 years	Total
Financial assets and liabilities r	neasured at fair value	through profit or los	s, Derivative instrum	ents (Foreign exchan	ge)		
Foreign exchange outflow	15,166,530	11,634,833	2,094,399	634,673	16,377	-	29,546,812
Foreign exchange inflow	15,244,908	11,730,220	2,094,399	634,673	16,377	=	29,720,577
Financial assets and liabilities r	neasured at fair value	through profit or los	s, Derivative instrum	ents (Interest)			
Foreign exchange outflow	258,485,962	365,676,449	125,133,665	195,775,581	217,884	21,075,000	966,364,541
Foreign exchange inflow	239,688,766	336,478,392	106,498,712	191,491,978	603,955	4,346,859	879,108,662
Hedging derivative financial in	struments (Interest)						
Foreign exchange outflow	-	9,444	18,024	-	-	-	27,468
Foreign exchange inflow	-	3,884	8,382	-	-	-	12,266

Unit: In thousand of TWD

December 31, 2019 Derivative financial instruments	1.Overdue less than 1 month	2.Overdue 1 to 3 months	3.Overdue 3 to 6 months	4.Overdue 6 months to 1 year		6.Overdue more than 5 years	Total	
Financial assets and liabilities r	neasured at fair value	through profit or los	s, Derivative instrum	ents (Foreign exchan	ge)			
Foreign exchange outflow	9,840,477	9,448,269	2,071,580	766,000	201,192	-	22,327,518	
Foreign exchange inflow	10,023,135	9,498,981	2,139,416	790,015	201,192	-	22,652,739	
Financial assets and liabilities r	neasured at fair value	through profit or los	s, Derivative instrum	ents (Interest)				
Foreign exchange outflow	210,855,823	449,604,048	271,949,337	124,996,618	3,611,166	=	1,061,016,992	
Foreign exchange inflow	201,111,370	454,297,984	278,779,509	134,182,065	3,247,741	=	1,071,618,669	
Hedging derivative financial in	Hedging derivative financial instruments (Interest)							
Foreign exchange outflow	1,758	15,148	21,696	-	-	-	38,602	
Foreign exchange inflow	1,793	12,314	20,291	-	-	-	34,398	



(v) Maturity analysis of off-balance sheet items

If the off-balance credit items of the Bank are classified as "Under One Year", "One to Five Years" and "Above Five Years", the maturity analysis of both off-balance items and lease agreements and capital expenditures are disclosed together.

Unit: In thousand of TWD

December 31, 2020	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Irrevocable loan commitment	1,000,000	147,829,055	-	3,580,000	8,481,368	160,890,423
Irrevocable credit card commitment	10,124	227	2,154	6,516	185,326	204,347
Unused letter of credit	20,880,799	1,883,170	7,136,617	11,194,802	1,714,330	42,809,718
Guarantee receivables	54,225,850	7,974,770	5,943,350	8,618,925	20,197,296	96,960,191
Total	76,116,773	157,687,222	13,082,121	23,400,243	30,578,320	300,864,679

					Unit: I	n thousand of TWD
December 31, 2019	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Irrevocable loan commitment	31,000,000	-	1,080,000	259,830,884	131,141,360	423,052,244
Irrevocable credit card commitment	5,153	1,155	4,495	25,744	191,492	228,039
Unused letter of credit	5,551,609	2,148,355	4,441,537	23,195,895	4,241,795	39,579,191
Guarantee receivables	51,895,541	3,199,187	8,629,817	7,130,792	15,032,129	85,887,466
Total	88,452,303	5,348,697	14,155,849	290,183,315	150,606,776	548,746,940

(vi) Maturity analysis of lease agreements and capital expenditures

Maturity analysis of real estate lease agreements and capital expenditures were as follows:

December 31, 2020	Less than 1 year	1-5 years	Over 5 years	Total
Lease agreements				
Lease liabilities	(491,595)	(804,664)	(27,053)	(1,323,312)
Lease income	151,654	110,040	-	261,694
Total	(339,941)	(694,624)	(27,053)	(1,061,618)

December 31, 2019	Less than1 year	1-5 years	Over 5 years	Total
Lease agreements				
Lease liabilities	(455,304)	(980,241)	(43,587)	(1,479,132)
Lease income	151,451	181,595	-	333,046
Total	(303,853)	(798,646)	(43,587)	(1,146,086)

- (vii) Disclosures required by the "Regulations Governing the Preparation of Financial Reports by Public Banks"
 - 1) Maturity analysis of assets and liabilities (New Taiwan Dollars) (excluding BankTaiwan Insurance Brokers)

December 31, 2020

Unit: In thousand of TWD

		Amount for each remaining period to maturity					
	Total	Less than 10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Major matured capital inflow	\$ 5,090,802,872	526,085,674	518,410,556	665,603,499	453,548,045	803,351,445	2,123,803,653
Major matured capital outflow	6,391,248,906	472,735,095	388,971,171	672,994,478	665,857,087	1,416,365,296	2,774,325,779
Capital gap	(1,300,446,034)	53,350,579	129,439,385	(7,390,979)	(212,309,042)	(613,013,851)	(650,522,126)

December 31, 2019

Unit: In thousand of TWD

		Amount for each remaining period to maturity					
	Total	Less than 10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Major matured capital inflow	\$ 4,895,473,013	556,635,559	456,027,147	664,335,212	505,464,174	762,127,172	1,950,883,749
Major matured capital outflow	6,520,037,051	477,798,626	301,701,912	796,178,062	781,202,184	1,445,214,437	2,717,941,830
Capital gap	(1,624,564,038)	78,836,933	154,325,235	(131,842,850)	(275,738,010)	(683,087,265)	(767,058,081)

2) Maturity analysis of assets and liabilities (United State Dollars) (excluding BankTaiwan Insurance Brokers)

December 31, 2020

Unit: In thousand of USD

	Τ		Amount for each remaining period to maturity				
		Total	Less than 30 days	31~90 days	91~180 days	181~365 days	Over 1 vear
Major matured capital inflow	\$	46,609,250		11,506,724			10,179,599
Major matured capital outflow		47,276,724	11,993,418	11,357,230	6,756,213	6,367,457	10,802,406
Capital gap	Т	(667,474)	2,240,233	149,494	(2,409,506)	(24,888)	(622,807)

December 31, 2019

Unit: In thousand of USD

		Amount for each remaining period to maturity				
	Total	Less than 30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Major matured capital inflow	\$ 44,193,004	10,814,477	12,298,696	8,329,879	4,782,713	7,967,239
Major matured capital outflow	45,175,188	9,519,232	10,963,187	8,422,281	6,009,130	10,261,358
Capital gap	(982,184)	1,295,245	1,335,509	(92,402)	(1,226,417)	(2,294,119)

(e) Market risk

(i) Causes and definition of market risk

Market risk means the changes in market price that lead to the fair value and future cash flow volatility risk of the held financial instruments, even if it is not included in the financial statements. The risk factors usually refer to interest rate, exchange rate, equity investment and price. When the factors change, the Bank's net operating income and the value of investment portfolio will have volatility risk.

The main market risks of the Bank is interest rate risk, exchange rate risk and equity investment risk. The main position of interest rate risk includes transactions with conditions, bonds, securities investments, interest rate swaps and so on. The main position of exchange risks includes forward exchange, foreign exchange swaps, FX options and so on. The main position of equity investment risk includes stocks, funds, stock market index futures and so on.

(ii) Management policies of market risk

The Bank sets up market risk management regulations and policies according to the risk management strategies approved by the Board of Directors, the Basel Accord and government regulations. The Bank decide the quota of investments and stop-loss point for financial instruments by types and characteristics in order to identify, assess, measure and monitor various risks of investment.



(iii) Procedures of market risk management

1) Identification

The identification procedures are as follows. First, use the business analysis or product analysis to identity the market risk factors of financial instruments. Second, measure the market risk of all financial instruments according to the risk factors changes of the important exposure. Finally, identify the market risk factors of every constitution of structured products and use the factors as the measurement basis. The above risk factors include interest rate, exchange rate and price of equity security.

2) Measurement

The Bank's market risk exposure can be classified into trading book and banking book. The financial instruments classified in trading book are measured at market value every day; those classified in banking book are measured at market value at least once a month. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as prices from TWSE, electronic screen or independent brokerage firms) and Level-2 inputs (those which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which the Bank obtains inputs largely remain the same as prior periods and the Bank will check if a financial instrument can be reasonably measured before entering into a transaction.

3) Monitor and Report

The Bank conducts various risks monitoring procedures for ordinary trading activities, prepares risk monitoring reports and reports it to the Risk Management Committee and the Board of Directors. The monitoring procedures includes the controls over market risk position, profit and loss, exposure, quota of investments, degree of concentration, sensitivity analysis and stress testing. The Bank also has communication mechanism. Each operating unit should provide transaction information to supervisors periodically to ensure the accuracy and effectiveness. While trading amounts are over the preset limit or in an abnormal condition, the related operating units should alert it in time.

(iv) Management policies of trading book risk

The trading book refers to the financial instruments held for trading or hedging. The positions held for trading mean the positions that are held to earn profit from the buy-sell spread. The positions not belonging to trading book are regarded as banking book.

1) Policy and Procedure

The Bank formulates "Bank of Taiwan Trading Book Management Provision" as important guideline for all trading units.

2) Valuation Policy

The Bank's market risk exposure can be classified into trading book and banking book. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as prices from TWSE, electronic screen or independent brokerage firms) and Level-2 inputs (which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which the Bank obtains inputs largely remain the same as prior periods and the Bank will check if a financial instrument can be reasonably measured before entering into a transaction.

3) Measurement Method

- a) Monitoring the trading book of risk exposure including stocks, funds, bonds, spot exchanges, forward exchanges, rate swap, option, future contracts, etc. Checking the ratio of risk exposure with total investment everyday and reporting monthly.
- b) The Bank conducts stress test every quarter under unfavorable economic scenarios which are set up risk factors: equity securities, interest rate, foreign exchange and commodities, setting the scene to calculate possible impacts by inputting different on profit or loss of each risk factor.
- c) Check the market price every month.
- d) Prepare the risk monitor report to chief director and put it on the Bank's website as reference.

(v) Interest rate risk management for trading book

1) Definition of interest rate risk

The interest rate risk means the changes of interest rate that lead to the fair value changes or loss. The main products include securities related to interest rate and derivatives.

2) Procedures of interest rate risk management

The Bank sets quota and stop-loss points for short-term securities, bonds and derivatives related to interest rate. Each trading units measure the market price for the position of trading book every day and submit monthly reports to risk management department and quarterly reports to the risk management committee and the Board of Directors.

3) Measurement method

The Bank also uses the DV01 to monitor the influence of interest risk.



(vi) Interest rate risk management for banking book

The main management purpose is to strengthen the interest rate risk management, increase the effectiveness of capital usage and improve the business.

1) Strategy

The interest rate risk management increases the Bank flexibility in order to measure, manage and hedge the interest rate risk. The Bank formulate "Liquidity and Interest Rate Management Strategies" to reinforce the management and maintain proper liquidity and adjust the interest rate sensitivity gap for the steady long-term profitability and business growth.

2) Management procedure

In order to adapt the economic financial environment changes and to fulfill the capital requirement, the Bank conducts different pricing management strategies, such as adopting variable or fixed interest rate, and use financial futures, foreign exchange swaps, interest rate swaps to manage the interest rate sensitivity gap. To adjust the interest rate sensitivity gap properly, the risk management department monitors the ratio of interest rate sensitivity assets to interest rate sensitivity liabilities, the ratio of TWD capital gap to equity and the interest rate sensitivity gap of foreign exchange, and report monthly to the Risk Management Committee and Board of Directors.

3) Measurement method

The Bank uses the "Assets and Liabilities Management Information System" to identify interest rate sensitivity assets and liabilities and analyses the maturity gap and changes of maturity structure as the basis of interest rate risk management and pricing strategies. They also make proper financial transfer and adjust the capital structure to lower the liquidity risk and increase the profit.

(vii) Exchange rate risk management

1) Definition of exchange rate risk

The exchange rate risk refers to the profit or loss resulted from two different currencies transferred at different times. The Bank's exchange rate risk is derived from exchange, forward exchange, FX swaps, cross currency swaps, and foreign exchange options. Because the Bank squares customer's position every day, the exchange rate does not have any significant risk.

2) Management procedures and measurement method of exchange rate risk

To control the exchange rate risk, the Bank sets different quotas and stop-loss point for employees with different levels and have annual total loss quota to control the loss in a tolerable range.

The Bank conducts stress testing. The simulated situations are $\pm 3\%$ changes of exchange rate for every currency. The relevant statements are disclosed at sensitivity analysis.

(viii) Equity security risk management

1) Definition of equity security risk

The market risk of holding equity securities includes the respective risk arising from the market price changes of respective equity security and general market risk resulting from the whole market price changes.

2) The intention of equity security price risk management

The intention is to avoid loss and worse financial status due to violent fluctuations of equity security price and increase the effectiveness of capital usage and improve the business.

3) Procedure of equity security price risk management

The Bank sets different investment quotas by industries, enterprises and groups. They use the β value to measure the influence of systematic risk monthly and monitor the risk value of equity securities and unrealized profit/loss ratio every day. The stop-loss point mechanism is approved by the security investment committee and executed by the risk management department.

4) Measurement method

The control of the equity security price risk is based on the unrealized gain (loss) ratio, β value and the aforementioned investment limitations.

The Bank conducts stress testing every season. The simulated situations are $\pm 15\%$ changes of equity security price. The relevant statements are disclosed at sensitivity analysis.

(ix) Market risk valuation technique

1) Interest rate risk sensitivity

The Bank assume that other factors did not change and the yield curve of the whole world moves upward by 100 bps at December 31, 2020 and 2019. Under this assumption, the income after tax will decrease \$22 million and increase \$56 million, respectively; the other comprehensive income will decrease \$9,440 million and \$6,164 million, respectively. If the yield curve moves downward by 100 bps, the income after tax will increase \$359 million and decrease \$55 million, respectively; the other comprehensive income will increase \$10,994 million and \$6,583 million, respectively.

2) Exchange rate risk sensitivity

The Bank assumed that other factors did not change and the foreign currency to New Taiwan Dollars exchange rate appreciated by 3% at December 31, 2020 and 2019. Under this assumption, the income after tax will increase \$731 million and \$796 million, respectively.

If the exchange rate depreciates by 3%, the income after tax will decrease \$731 million and \$796 million, respectively.



3) Equity security price risk sensitivity

The Bank assumes that other factors did not change and the market prices of the equity securities increase by 15% at December 31, 2020 and 2019. Under this assumption, the income after tax will increase \$6,789 million and \$6,524 million, respectively; the other comprehensive income will increase \$13,860 million and \$14,293 million, respectively.

If the market prices decreases by 15 %, the income after tax will decrease \$6,789 million and \$6,524 million, respectively; the other comprehensive income will decrease \$13,860 million and \$14,293 million, respectively.

4) Sensitivity analysis is as follows:

Unit: In million of TWD

	December 31, 2020					
		Amount Influence				
Main risk	Range of changes	Equity	Gain or loss			
Interest rate risk	Interest rate curve rise 100BPS	(9,440)	(22)			
Interest rate risk	Interest rate curve fall 100BPS	10,994	359			
Exchange rate risk	Other foreign currency/ TWD rise3%		731			
Exchange rate risk	Other foreign currency / TWD fall 3%		(731)			
Price of equity stock risk	Price of equity stock rise 15 %	13,860	6,789			
Price of equity stock risk	Price of equity stock fall 15 %	(13,860)	(6,789)			

Unit: In million of TWD

	December 31, 2019						
		Amount Influence					
Main risk	Range of changes	Equity	Gain or loss				
Interest rate risk	Interest rate curve rise 100BPS	(6,164)	56				
Interest rate risk	Interest rate curve fall 100BPS	6,583	(55)				
Exchange rate risk	Other foreign currency/ TWD rise 3%		796				
Exchange rate risk	Other foreign currency / TWD fall 3%		(796)				
Price of equity stock risk	Price of equity stock rise 15 %	14,293	6,524				
Price of equity stock risk	Price of equity stock fall 15 %	(14,293)	(6,524)				

(x) Information of currency risk concentrate

Net position of major foreign currencies

Unit: In thousand of stated currencies

December 31, 2020						
Amount in original cur	Amount in New Taiwan Dollars					
USD	567,668	15,951,471				
CNY	1,348,071	5,830,407				
JPY	3,040,387	828,505				
GBP	18,471	708,363				
KRW	19,211,904	497,588				

Unit: In thousand of stated currencies

December 31, 2019						
Amount	in original currency	Amount in New Taiwan Dollars				
USD	637,45	19,117,126				
CNY	1,201,37	5,159,910				
JPY	3,019,31	833,632				
GBP	18,37	723,489				
KRW	21,477,93	3 556,278				

Note 1: The major foreign currencies were the top 5 currencies by position expressed in New Taiwan Dollars after exchange rate conversion.

Note 2: The net position represented the absolute value of each currency.



All held foreign financial assets and liabilities are classified by currencies and represented using the carrying amounts. The following tables display the information at December 31, 2020 and 2019, respectively.

Unit: In thousand of TWD

	Dece	ember 31, 2020		
Assets	U	SD to TWD	Other currencies to TWD	Total TWD
Cash and cash equivalents	\$	47,246,340	53,085,629	100,331,969
Placement with Central Bank and call loans to banks		111,831,023	67,286,366	179,117,389
Financial assets measured at fair value through profit or loss		99,710,455	29,240,366	128,950,821
Financial assets measured at fair value through other comprehensive income		32,572,049	70,384,866	102,956,915
Debt investments measured at amortized cost		18,222,554	15,301,926	33,524,480
Receivables, net		8,052,455	3,521,651	11,574,106
Current income tax assets		31,472	177,942	209,414
Loans and Discounts, net		131,603,948	80,357,192	211,961,140
Other financial assets, net		254,290	19,545	273,835
Property and equipment, net		77,037	44,222	121,259
Intangible assets, net		33,712	3,602	37,314
Deferred income tax assets, net		113,879	72,605	186,484
Other assets, net		32,197,916	(27,341,128)	4,856,788
Total assets	\$	481,947,130	292,154,784	774,101,914

December 31, 2020

Liabilities	ī	JSD to TWD	Other currencies to TWD	Total TWD
Deposits of Central Bank and banks	\$	100,690,134	41,405,775	142,095,909
Loans to Central Bank and banks		3,653,000	-	3,653,000
Financial liabilities measured at fair value through profit or loss		14,325,459	499,922	14,825,381
Hedging derivatives financial liabilities		-	49,894	49,894
Bills and bonds sold under repurchase agreement		-	1,936,197	1,936,197
Payables		8,004,100	(2,148,043)	5,856,057
Current income tax liabilities		101,764	54,613	156,377
Deposits and remittances		459,862,029	241,116,354	700,978,383
Other financial liabilities		816,581	96,827	913,408
Provisions		2,752	12,376	15,128
Deferred income tax liabilities		-	26,617	26,617
Other liabilities		147,429,369	55,610,597	203,039,966
Total liabilities	\$	734,885,188	338,661,129	1,073,546,317



Th	21	2010
December	31.	2019

Other currencies to

Assets	_U	SD to TWD	TWD	Total TWD
Cash and cash equivalents	\$	40,602,495	49,070,591	89,673,086
Placement with Central Bank and call loans to banks		95,523,436	67,808,331	163,331,767
Financial assets measured at fair value through profit or loss		81,265,493	23,293,167	104,558,660
Financial assets measured at fair value through other comprehensive income		25,979,446	68,738,961	94,718,407
Debt investments measured at amortized cost		23,927,802	17,031,776	40,959,578
Hedging derivative financial assets		-	1,071	1,071
Receivables, net		11,226,412	1,734,035	12,960,447
Current income tax assets		77,765	63,288	141,053
Loans and Discounts, net		124,070,454	100,190,607	224,261,061
Other financial assets, net		92,562	20,195	112,757
Property and equipment, net		85,094	58,388	143,482
Intangible assets, net		12,485	3,804	16,289
Deferred income tax assets, net		126,667	66,699	193,366
Other assets, net	_	38,944,892	(37,262,879)	1,682,013
Total assets	\$	441,935,003	290,818,034	732,753,037
	Dec	ember 31, 2019		
Liabilities			Other currencies to TWD	Total TWD
Liabilities Deposits of Central Bank and other banks		ember 31, 2019 (SD to TWD 64,126,309		Total TWD 134,895,372
	U	SD to TWD	currencies to TWD	
Deposits of Central Bank and other banks Financial liabilities measured at	U	(SD to TWD) 64,126,309	TWD 70,769,063	134,895,372
Deposits of Central Bank and other banks Financial liabilities measured at fair value through profit or loss Hedging derivatives financial	U	(SD to TWD) 64,126,309	rurencies to TWD 70,769,063	134,895,372 45,875,081
Deposits of Central Bank and other banks Financial liabilities measured at fair value through profit or loss Hedging derivatives financial liabilities Bills and bonds sold under	U	(SD to TWD) 64,126,309	currencies to TWD 70,769,063 152,587 25,537	134,895,372 45,875,081 25,537
Deposits of Central Bank and other banks Financial liabilities measured at fair value through profit or loss Hedging derivatives financial liabilities Bills and bonds sold under repurchase agreement	U	5SD to TWD 64,126,309 45,722,494	currencies to TWD 70,769,063 152,587 25,537 1,790,702	134,895,372 45,875,081 25,537 1,790,702
Deposits of Central Bank and other banks Financial liabilities measured at fair value through profit or loss Hedging derivatives financial liabilities Bills and bonds sold under repurchase agreement Payables Current income tax liabilities Deposits and remittances	U	7SD to TWD 64,126,309 45,722,494 - - 7,431,896	currencies to TWD 70,769,063 152,587 25,537 1,790,702 1,789,738	134,895,372 45,875,081 25,537 1,790,702 9,221,634
Deposits of Central Bank and other banks Financial liabilities measured at fair value through profit or loss Hedging derivatives financial liabilities Bills and bonds sold under repurchase agreement Payables Current income tax liabilities Deposits and remittances Other financial liabilities	U	7,431,896 10,001 423,630,859 380,155	currencies to TWD 70,769,063 152,587 25,537 1,790,702 1,789,738 123,997 241,217,178 565,910	134,895,372 45,875,081 25,537 1,790,702 9,221,634 133,998
Deposits of Central Bank and other banks Financial liabilities measured at fair value through profit or loss Hedging derivatives financial liabilities Bills and bonds sold under repurchase agreement Payables Current income tax liabilities Deposits and remittances Other financial liabilities Provisions	U	64,126,309 45,722,494 - - 7,431,896 10,001 423,630,859	currencies to TWD 70,769,063 152,587 25,537 1,790,702 1,789,738 123,997 241,217,178 565,910 17,982	134,895,372 45,875,081 25,537 1,790,702 9,221,634 133,998 664,848,037 946,065 22,836
Deposits of Central Bank and other banks Financial liabilities measured at fair value through profit or loss Hedging derivatives financial liabilities Bills and bonds sold under repurchase agreement Payables Current income tax liabilities Deposits and remittances Other financial liabilities Provisions Deferred income tax liabilities	U	7,431,896 10,001 423,630,859 380,155 4,854	152,587 25,537 1,790,702 1,789,738 123,997 241,217,178 565,910 17,982 19,312	134,895,372 45,875,081 25,537 1,790,702 9,221,634 133,998 664,848,037 946,065 22,836 19,312
Deposits of Central Bank and other banks Financial liabilities measured at fair value through profit or loss Hedging derivatives financial liabilities Bills and bonds sold under repurchase agreement Payables Current income tax liabilities Deposits and remittances Other financial liabilities Provisions Deferred income tax liabilities Other liabilities	**************************************	7,431,896 10,001 423,630,859 380,155 4,854 - 133,362,499	152,587 25,537 1,790,702 1,789,738 123,997 241,217,178 565,910 17,982 19,312 41,542,081	134,895,372 45,875,081 25,537 1,790,702 9,221,634 133,998 664,848,037 946,065 22,836 19,312 174,904,580
Deposits of Central Bank and other banks Financial liabilities measured at fair value through profit or loss Hedging derivatives financial liabilities Bills and bonds sold under repurchase agreement Payables Current income tax liabilities Deposits and remittances Other financial liabilities Provisions Deferred income tax liabilities	U	7,431,896 10,001 423,630,859 380,155 4,854	152,587 25,537 1,790,702 1,789,738 123,997 241,217,178 565,910 17,982 19,312	134,895,372 45,875,081 25,537 1,790,702 9,221,634 133,998 664,848,037 946,065 22,836 19,312

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

- (xi) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public banks
 - 1) Interest rate sensitivity assets and liabilities analysis (New Taiwan Dollars)

Unit: In thousand of TWD

December 31, 2020							
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total		
Interest rate sensitive assets	\$ 1,636,841,392	1,919,353,973	110,682,820	390,287,876	4,057,166,061		
Interest rate sensitive liabilities	459,380,994	3,069,596,452	285,899,290	100,133,343	3,915,010,079		
Interest rate sensitive gap	1,177,460,398	(1,150,242,479)	(175,216,470)	290,154,533	142,155,982		
Net worth							
Ratio of interest rate sensitive assets to liabilities (%)							
Ratio of interest rate sensitive gap	to net worth (%)				37.28		

Unit: In thousand of TWD

December 31, 2019							
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total		
Interest rate sensitive assets	\$ 1,682,531,290	1,712,946,163	156,966,532	309,160,967	3,861,604,952		
Interest rate sensitive liabilities	457,257,294	2,933,664,471	246,325,207	87,470,984	3,724,717,956		
+Interest rate sensitive gap	1,225,273,996	(1,220,718,308)	(89,358,675)	221,689,983	136,886,996		
Net worth	Net worth						
Ratio of interest rate sensitive assets to liabilities (%)							
Ratio of interest rate sensitive gap	to net worth (%)				36.46		

- Note 1: The above amount included only new Taiwan dollar amounts held by the Bank, and excluded contingent assets and contingent liabilities.
- Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interesting-bearing liabilities with revenues and costs affected by interest rate changes.
- Note 3: Interest rate sensitivity gap=Interest-rate-sensitivity assets-Interest-rate-sensitivity liabilities.
- Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities (in New Taiwan Dollars).
- 2) Assets and liabilities interest rate sensitivity analysis (United State Dollars)

Unit: In thousand of USD

December 31, 2020							
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total		
Interest rate sensitive assets	\$ 30,943,340	4,113,223	6,541,285	1,182,685	42,780,533		
Interest rate sensitive liabilities	20,870,413	9,972,468	6,124,378	470,589	37,437,848		
Interest rate sensitive gap	10,072,927	(5,859,245)	416,907	712,096	5,342,685		
Net worth							
Ratio of interest rate sensitive assets to liabilities (%)							
Ratio of interest rate sensitive gap	to net worth (%)				(51,725.09)		



Unit: In thousand of USD

December 31, 2019							
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total		
Interest rate sensitive assets	\$ 29,245,574	6,754,671	4,912,995	994,744	41,907,984		
Interest rate sensitive liabilities	19,341,698	10,012,659	5,449,048	1,541,441	36,344,846		
Interest rate sensitive gap	9,903,876	(3,257,988)	(536,053)	(546,697)	5,563,138		
Net worth	Net worth						
Ratio of interest rate sensitive assets to liabilities (%)							
Ratio of interest rate sensitive gap	to net worth (%)				(9,365.39)		

- Note 1: The above amount included only U.S. dollar amounts held by the Bank, and excluded contingent assets and contingent liabilities.
- Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.
- Note 3: Interest rate sensitivity gap=Interest-rate-sensitivity assets-Interest-rate-sensitivity liabilities.
- Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities (in U.S. dollars).

(f) Other risks

(i) Operational risk and legal risk

The Bank has identified, measured and monitored operational risk and legal risk and also disclosed qualitative and quantitative information in accordance with the "Information of the Capital Adequacy and the Risk Managements" and the FSC's requirements.

According to the "The Explanations and Formats of Calculation of Bank's Self-Owned Capital and Risk-Weighted Assets," operation risks is the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses. As legal risk is part of the operational risk, where it involves legal risk to be reported together with the operation risk to the appropriate management level.

The Bank's Declaration of Operation Risk Appetite stresses that the Bank should attach importance not only to the direct financial loss cause by operational loss events, but also the indirect loss which might damage its quality of service and reputation. In view of an internal fraud that may cause enormous loss and seriously jeopardize reputation, the Bank actively establishes the enterprise culture with risk awareness. In addition to enhancing its employees' concept of risk (e.g. collecting and compiling the information as a report about the concept of risk), and to firmly executing internal controls, the Bank also prevents internal fraud by emphasizing the importance of compliance with regulations and laws. Any events that may damage BOT's reputation will be reported as part of operation risk to the appropriate management level.

(ii) Compliance risks

To conduct the planning, management and execution of the Bank's legal compliance, the Department of Compliance has set up the Regulations and Guidelines of Legal Compliance, which clearly states the responsibility of the competent unit (Department of Compliance), the task force (each unit of the head office, Secretary Department of the Board of directors, Department of Internal Auditing of the Board of Directors), training unit (Training Institute), and the self-assessment unit (each operational unit, excluding Department of Internal Auditing Board of Directors). The Department of Compliance also holds the responsibility of planning, managing and executing the overall legal compliance of the Bank. For instance, the task force should look into potential risks of legal compliance and obtain the opinion and approval of the Department of Compliance before new services and products are introduced to the market or applications are submitted to the authorities for the approval of sales.

In response to continuous changes in external regulations, the Department of Compliance prepared the "Legislation and Amendment of External Financial Regulations Checklist" and the "Internal Respond to Legislation and Amendment of External Financial Regulations Checklist" to make each operation unit recheck their internal guidelines and make necessary adjustments in time. The Department of Compliance passes the information to its employees about the changes in financial regulations related to the Bank's operations to lower the risk of legal compliance. If any operational loss events involving legal compliance occur and cause loss, they will be reported as part of operation risk to the appropriate management level.

(iii) Money laundering and terrorist financing risks

The Bank has established and amended the related policies and procedures in accordance with the "Money Laundering Control Act" and related regulations announced by the FSC, as well as the "Template of Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism of Banks" and the 53 suspicious transaction patterns amended or issued by the bankers association of the R.O.C. The Bank took the following actions to combat money laundering and terrorism financing (AML/CFT):

1) Setting up responsible unit and appoint AML/CFT Responsible Officer

The Board of Directors of the Bank appointed the Chief Compliance Officer to serve as AML/CFT Responsible Officer, and set up "AML Center" under The Department of Compliance in January 16, 2017. A Supervisor and a Vice Supervisor are set up in the center, and the Deputy Chief Compliance Officer is appointed to serve as the Supervisor. So far, there are 18 members in the center.

2) Setting up AML/CFT Committee

The Bank sets up "Legal Compliance, Anti-Money Laundering and Combating Terrorism Financing Committee (AML/CFT Committee)" according to the "Regulations for Legal Compliance, Anti-Money Laundering and Combating Terrorism Financing Committee, Bank of Taiwan". The President is the Chairperson, and the Chief Compliance Officer is the Vice President of the committee. The managers of the 18 other departments also serve as the committee members. The AML/CFT Committee is responsible for examining and supervising AML/CFT related affairs.



3) Optimizing AML/CFT managerial mechanisms

- a) In order to strengthen the Bank's AML/CFT managerial mechanisms, the Bank has already engaged independent third parties to exam the effectiveness of its AML/CFT managerial mechanism since 2017. The Bank would then engage another external consultants to assist the Bank for improvement if necessary. The external consultants should also participate and provide suggestions in the establishment of the Bank's AML/CFT information systems.
- b) The consulting engagement is divided into three stages, including "Anti-Money Laundering and Combating Terrorism Financing System Difference analysis", "Anti-Money Laundering and Combating Terrorism Financing Managerial System Improvement and Optimization", and "Managerial System Operation". By analyzing the differences between the Bank's current AML/CFT operation and the regulatory requirements all over the world, the consulting engagement focuses on mitigating the differences, optimizing the mechanisms, and re-examing the effectiveness of the optimized managerial mechanisms to ensure the perfectness of the systems.
- 4) Setting up and optimizing AML/CFT information systems

According to the Regulations Governing Anti-Money Laundering Art. 9.1., financial institutions should gradually integrate customer information and transaction data into information systems, for the purpose of enhancing its capability of account and transaction monitoring. The Bank will strengthen its policies and procedures regarding ongoing monitoring over accounts and transactions by applying risk-based approach and the assistance of information systems. In order to verify the effectiveness of the systems, consultants were hired to conduct independent tests, provide recommendations for setting transaction monitoring thresholds, and continuously optimize the system.

5) Establishing AML/CFT area in its internal information network

In order for its employees to have an immediate access to AML/CFT related information, the Bank sets up an AML/CFT website within its internal network. This measure simplifies the procedures of collecting related information, and is beneficial to the Bank by providing compliance guidance to its employees in their daily operations.

- 6) Training responsible officers and supervisors
 - a) In order to respond to the announcement of the amendments to AML/CFT related regulations and to enhance the employees' understanding of related regulations, the Bank engaged external expert to hold orientation training for the Bank's responsible officers and supervisors. The Bank also held seminars and invited professional lecturer to discuss the amendments to AML/CFT related regulations and patterns for the Board of Directors, General President, and responsible officers or supervisors.

- b) To propagate "Money Laundering Control Act" and related regulations, the Bank recorded AML/CFT online courses, and required all employees to finish the online courses. The Bank also drew up "Understanding AML Q&A", and held online exam about the Q&A. The Bank required all its employees to read the Q&A thoroughly and finish the online exam so as to improve their knowledge on AML related regulations.
- 7) Reporting the properties (including its related interests and their locations) designated by the Counter-Terrorism Financing Act and suspicious transactions to Investigation Bureau, the Ministry of Justice.
- 8) Updating personal information of customers

In order to meet the related AML regulations and improve the customer database, BOT provided customers with various ways to update their personal information.

(g) Transfer of financial assets – transferred financial assets without overall derecognition

The transferred financial assets of the Bank and subsidiary that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. The right to receive cash flow is transferred and reflects the associated liabilities to repurchase transferred financial assets at a fixed price in the future period, the Bank and subsidiary cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Bank and subsidiary still bear the interest rate risks and credit risks, transferred financial assets are not completely derecognized. Analysis of financial assets without overall derecognition and the associated liabilities are as follows:

	December 31, 2020				
Type of financial assets	Carrying amount of the transferred financial assets	Carrying amount of the Financial liability	Fair value of transferred financial assets	Fair value of financial liabilities	Fair value
Financial asset measured at fair value through profit or loss					
Under repurchase agreements	\$ 29,972	29,984	29,972	29,984	(12)
Financial asset measured at fair value through other comprehensive income					
Under repurchase agreements	3,998,900	4,451,906	3,998,900	4,451,906	(453,006)



	December 31, 2019					
Type of financial assets Financial asset measured at fair value through profit or loss	ar tra	arrying nount of the ansferred nancial assets	Carrying amount of the Financial liability	Fair value of transferred financial assets	Fair value of financial liabilities	Fair value net position
Under repurchase agreements	\$	29,964	29,973	29,964	29,973	(9)
Financial asset measured at fair value through other comprehensive income						
Under repurchase agreements	1	9,308,726	19,744,196	19,308,726	19,744,196	(435,470)

(h) Offsetting of financial assets and financial liabilities

The Bank and subsidiary hold financial instruments which meet Section 42 of the IAS 32 endorsed by FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although the Bank and subsidiary do not engage in transactions that meet the offsetting condition in IFRSs, they have signed the net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could opt for net settling.

The offsetting information of financial assets and financial liabilities is shown below:

		Γ	December 31, 2020			
Financia	l assets under of	ffsetting or gene	eral agreement of n	et amount settle	ement or similar n	orms
		Total recognized financial			-	
	Total	liabilities offsetting on	Net amount of financial assets	Relevant amount not offset on the balance sheet (d)		
Financial assets Derivative \$	recognized inancial assets (a) 11,587,077	the balance sheet (b)	on the balance sheets (c)=(a)-(b) 11,587,077	Financial instrument (note) 1,581,354	Cash received as collaterals 3,844,838	Net amount (e)=(c)-(d) 6,160,885
financial assets	11,007,077		11,007,077	1,501,001	2,311,000	2,100,002

December	41	70170

Financi	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms							
	1	Total recognized	Total recognized financial assets offsetting on	Net amount of financial liabilities	Relevant amo			
Financial liabilities Derivative	- _{\$}	financial liabilities (a) 17,802,321	the balance sheet (b)	on the balance sheets (c)=(a)-(b) 17,802,321	Financial instrument (note) 1,528,827	Pledged cash Collaterals 808.226	Net amount (e)=(c)-(d) 15,465,268	
financial liabilities		, ,-						

Note: Master netting arrangements and non-cash financial collaterals are included.

December 31, 2019

Finan	Financial assets under offsetting or general agreement of net amount settlement or similar norms						
		Total				_	
		recognized					
		financial					
		liabilities	Net amount of	Relevant amo	ount not offset		
	Total	offsetting on	financial assets	on the bala	nce sheet (d)		
	recognized	the balance	on the balance	Financial			
	financial assets	sheet	sheets	instrument	Cash received	Net amount	
Financial assets	s (a)	(b)	(c)=(a)-(b)	(note)	as collaterals	(e)=(c)-(d)	
Derivative	\$ 10,590,840	_	10,590,840	994,022	2,462,130	7,134,688	
financial assets	. =====						

December 31, 2019

Financ	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms							
			Total					
			recognized	Net amount of				
		Total	financial assets	financial	Relevant amo	unt not offset		
		recognized	offsetting on	liabilities	on the balar	ice sheet (d)		
		financial	the balance	on the balance	Financial			
Financial		liabilities	sheet	sheets	instrument	Pledged cash	Net amount	
liabilities		(a)	(b)	(c)=(a)-(b)	(note)	Collaterals	(e)=(c)-(d)	
Derivative	\$	14,093,157		14,093,157	983,646	425,334	12,684,177	
financial	-							
liabilities								

Note: Master netting arrangements and non-cash financial collaterals are included.

(9) Capital Management:

(a) The Target and Procedure of capital management

The Target of capital management is to achieve the authority's requirements for the BIS Capital Adequacy Ratio and to improve the efficiency of capital usage through capital management procedures.

The Bank consider the short-term and long-term capital demand, operating plans and the lowest requirement to the BIS ratio to draft the capital plan. The Bank conducts the stress testing, the simulation analysis periodically, consider the external conditions and other factors, such as potential risks, environment changes of the financial market and other events that will affect the risk tolerable ability to ensure the Bank can maintain sufficient capital while unfavorable events and significant changes to the market occur.



BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

(b) The definition and regulations of capital

The Competent authority of the Bank is the Financial Supervisory Commission (the FSC). The Bank follows the "Regulations Governing the Capital Adequacy and Capital Category of Banks" issued by the FSC.

The term "Ratio of Regulatory Capital to Risk-weighted Assets" shall mean Common Equity Ratio, Tier 1 Capital Ratio, and Total Capital Adequacy Ratio. Except computing the Bank's own ratios, it also calculates the ratios using the consolidated financial information according to the IFRS 10. All mentioned ratios should be in conformity with article 5 of the regulations.

(c) Regulatory Capital

The term "Regulatory Capital" shall mean the net Tier 1 Capital and the net Tier 2 Capital according to the Regulations Governing the Capital Adequacy and Capital Category of Banks."

- (i) The term "Net Tier 1 Capital" shall mean the aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.
 - 1) The common equity Tier 1 capital consists of the common equity that reduces intangible assets, the deferred tax assets due to losses from the previous year, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, unamortized losses on sales of non-performing loans, and the statutory adjustment items calculated in accordance with other rules for calculation methods. The common equity tier 1 capital shall mean the sum of the common stock and additional paid-in capital in excess of par- common stock, the capital collected in advance, the capital reserves, the statutory surplus reserves, the special reserves, the accumulated profit or loss, the non-controlling interests and the other items of interest.
 - 2) The range of additional Tier 1 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.
 - a) Non-cumulative perpetual preferred stock and its capital stock premium.
 - b) Non-cumulative perpetual subordinated debts.
 - c) The non-cumulative perpetual preferred stock and its capital stock premium, and the non-cumulative perpetual subordinated debts which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.
- (ii) The range of Tier 2 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.
 - 1) Cumulative perpetual preferred stock and its capital stock premium.
 - 2) Cumulative perpetual subordinated debts.
 - 3) Convertible subordinated debts
 - 4) Long-term subordinated debts

- 5) Non-perpetual preferred stock and its capital stock premium
- 6) When the real estate was adopted by the International Financial Reporting Standards for the first time and used the fair value or the re-estimated value as the deemed cost. The difference in amount between the deemed cost and the book value was recognized in retained earnings, the 45% of unrealized gain on Financial asset measured at fair value through other comprehensive income, as well as operational reserves and loan-loss provisions.
- 7) The cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, and the non-perpetual preferred stock and its capital stock premiums which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

When a bank reports its capital adequacy ratio according to the regulations, the competent authority shall examine its capital category in accordance with the provisions of these regulations on the calculation of capital adequacy ratio.

When a bank's capital is graded as inadequate capital, significantly inadequate capital or seriously inadequate capital by the competent authority's examination, the competent authority shall take prompt corrective actions in pursuant to Sections 1 to 3, Paragraph 1, Article 44-2 of the Act.

The government regulations are formulated in accordance with the Basel Accord. The followings are the content of the Basel Accord and the implementation of the Bank.

(i) The First Pillar

The first pillar contains the capital requirements for credit risks, market risks and operation risks.

- 1) Credit risks refer to the default risk resulted from the counterparties. The credit risk is derived from the assets, liabilities or off-balance sheet items. There are two measurement methods, the Standardized Approach and the Internal Ratings-Based Approach (the IRB). The Bank uses the Standardized Approach.
- 2) Market risks refer to the loss due to the changes of the market price, such as the changes of the market interest rate, the exchange rate, the stock price and the product price. There are two measurement methods, the Standardized Approach and the Internal Model Approach. The Bank uses the Standardized Approach.
- Operation risks refer that the Bank has loss caused by the internal operations, the employee's faults, the system errors or external events. The operation risks include legal risks but exclude strategy risks and reputation risks. The measurement methods are the Basic Indicator Approach, the Standardized Approach, the Alternative Standardized Approach and the Advanced Measurement Approach. The Bank uses the Standardized Approach.



(ii) The Second Pillar

The second pillar is used to ensure that each bank has sufficient internal assessment procedures and each bank can understand the capital adequacy through complete risk measurements. At the same time, it also uses proper supervisory operations to ensure the regulatory capital accord with the whole risk characteristics. The Bank reports the capital adequacy measurements and the risk management situations to the competent authority with related information.

(iii) The Third Pillar

The third pillar is related to the market discipline. It requires banks to disclose more information about the risks, the capital and the risk managements according the new Basel Accord in order to increase their information transparency. As a result, the Bank has offered the "Information of the Capital Adequacy and the Risk Managements" in our website to disclose the qualitative data and the quantitative data.

(d) Capital adequacy ratio

Analyze	Items	Year	December 31, 2020	December 31, 2019
Eligible	Common stock capital		288,306,427	260,398,368
	Other tier 1 capital		-	-
capital	Tier 2 capital		40,361,717	37,174,652
	Eligible capital		328,668,144	297,573,020
Risk assets	Credit	Standardized approach	2,062,969,129	1,955,604,546
weighted		Internal rating based approach	-	-
assets	risk	Securitization	-	-
	Operational	Basic indicator approach	-	-
		Standardized approach/Alternative standardized approach	64,279,938	63,628,550
	risk	Advance measurement approach	-	-
	Market	Standardized approach	70,603,450	82,580,325
	risk	Internal models approach	-	-
	Total risk weighted assets		2,197,852,517	2,101,813,421
Capital a	dequacy ratio		14.95 %	14.16 %
Common	stock based capital ratio		13.12 %	12.39 %
Tier 1 ris	k based capital ratio		13.12 %	12.39 %
Leverage	ratio		5.46 %	5.08 %

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

- Note 1: The calculation of eligible capital, risk-weighted assets, and the total amount of risk exposure shall follow the Regulations Governing the Capital Adequacy and Capital Category of Banks, and Calculation of Equity Capital and Risk Assets.
- Note 2: The annual report shall disclose the current and preceding period of BIS ratio. The semiannual report (beside the current and preceding period) shall disclose the information one year before.
- Note 3: The table shall disclose the calculation formula as follows:
 - 1. Equity Capital = shareholders' equity + other tier 1 capital + tier 2 capital
 - 2. Risk-weighted assets = credit risk-weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5
 - 3. Capital adequacy ratio = equity capital / internal models approach
 - 4. Common stock based capital ratio = shareholders' equity / total risk weighted assets
 - 5. Tier 1 risk based capital ratio = (shareholders' equity + Other tier 1 capital)/ weighted risk
 - 6. Leverage ratio = tier 1 capital / total risk exposure
- Note 4: The table may choose not to disclose in Q1 and Q3 financial report.
- (e) Stress test: In addition to the FSC's requirement regarding the stress test to be conducted by the Bank, the Bank also establishes its own stress test policy based on global environment and economic situations. The testing includes the average common equity ratio, the first class capital ratio, the capital adequacy ratio, and the leverage ratio, calculated by the Bank under different assumptions of scenarios, which had been approved by the Bank's Board of Directors and risk management committee.

(10) Related-party Transactions:

(a) Name of related party and relationship

Name	Relationship
Taiwan Financial Holding Co., Ltd.	Parent company of the Bank and subsidiary
BankTaiwan Life Insurance Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.
BankTaiwan Securities Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.
Hua Nan Financial Holdings Co., Ltd.	Investee company of the Bank under the equity method
Tang Eng Iron Works Co., Ltd.	Investee company of the Bank under the equity method
Tai Yi Real Estate Management Co., Ltd.	Investee company of the Bank under the equity method
Taiwan Business Bank Co., Ltd.	Related- Party
Land Bank of Taiwan	Related- Party
The Export-Import Bank of the Republic of China	Related- Party
Cathy United Bank	Related- Party



Name	Relationship
Chang Hwa Bank	Related- Party
Deutsche Bank Taipei Branch	Directors, supervisors, managers and their relatives up to the second degree, affiliates and so on (no longer a related party since September 2nd., 2019)
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and so on

(b) Key Management Personnel Compensation

The related information about the salaries and bonus for the key management personnel for the years ended December 31, 2020 and 2019 were as follows:

	 2020	2019	
Short-term employee benefits	\$ 16,694	16,237	

(c) Other related-party transactions

(i) Call loans to bank

		December 3	31, 2020	
Hua Nan Financial Holdings Co., Ltd.	\$ Highest balance 10,216,070	Ending balance 3,437,000	Interest rate range (%) 0.12~3.25	Interest income 36,207
		December 3	31, 2019	
			Interest	_
	Highest balance	Ending balance	rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	\$ 18,372,412	2,023,490	0.17~3.25	59,275

(ii) Receivables

	December 31, 2020			December 31, 2019		
			Percentage of account		Percentage of account	
Name	Α	mount	balance	Amount	balance	
Taiwan Financial Holding Co., Ltd.	\$	5,087	0.01	6,213	0.01	
BankTaiwan Life Insurance Co., Ltd.		60,616	0.11	36,809	0.06	
BankTaiwan Securities Co., Ltd.		62				
Total	\$			43,022	0.07	

(iii) Other assets

		December	31, 2020	December 31, 2019	
Name		Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$	2,125,912	12.87	-	-
BankTaiwan Life Insurance Co., Ltd.	\$	5,962	0.04	5,887	0.05
BankTaiwan Securities Co., Ltd.		14		14	
Total	\$	2,131,888	12.91	5,901	0.05

(iv) Securities lending (classified as other financial assets)

	December	31, 2020	Decembe	r 31, 2019
		Percentage		Percentage
		of account		of account
Name	Amount	balance	_Amount_	balance
BankTaiwan Securities Co., Ltd.	\$ 252,900	0.67		

(v) Deposits of banks

	December	31, 2020	December 31, 2019		
		Percentage		Percentage	
		of account		of account	
Name	 Amount	balance	Amount	balance	
Hun Nan Financial Holdings Co., Ltd.	\$ 193,429	0.40	291,259	0.58	

(vi) Call loans from banks (recognized as deposit of central bank and other bank)

(8	 p			
		December 3	31, 2020	
			Interest	
	Highest	Ending	rate range	Interest
	balance	balance	(%)	expense
Hua Nan Financial Holdings	\$ 13,215,700	927,300	0.10~2.90	6,449
Co., Ltd.				
		December 3	31, 2019	
			Interest	_
	Highest balance	Ending balance	rate range (%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	\$ 20,909,960	<u>-</u>	0.17~3.10	22,093



(vii) Deposits

	December 31, 2020		December 31, 2019		
			Percentage of account		Percentage of account
Name		Amount	balance	Amount	balance
Taiwan Financial Holding Co., Ltd.	\$	1,056,093	0.03	198,724	0.01
BankTaiwan Life Insurance Co., Ltd.	\$	8,587,023	0.21	6,335,035	0.16
BankTaiwan Securities Co., Ltd.		991,509	0.02	252,990	0.01
Hua Nan Financial Holdings Co., Ltd.		352,059	0.01	366,176	0.01
Tang Eng Iron Works Co., Ltd.		149,901	-	674	-
Tai Yi Real Estate Management Co.,	_	67		_	
Ltd.					
Total	\$ _	11,136,652	0.27	7,153,599	0.19

(viii) Payables

	December 31, 2020		31, 2020	December	er 31, 2019	
Name		mount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	12	-	5	-	
BankTaiwan Life Insurance Co., Ltd.	\$	118	-	5,888	0.01	
BankTaiwan Securities Co., Ltd.		10		51		
Total	\$	140		5,944	0.01	

(ix) Other liabilities

	 December	31, 2020	December	December 31, 2019	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance	
	 	Dalance			
Taiwan Financial Holding Co., Ltd.	\$ 2,807	0.03	2,762	0.03	
BankTaiwan Life Insurance Co., Ltd.	\$ 493	-	493	-	
BankTaiwan Securities Co., Ltd.	 1,794	0.02	1,794	0.02	
Total	\$ 5,094	0.05	5,049	0.05	

(x) Interest income

	202		20	2019		
			Percentage of account		Percentage of account	
Name	Amount		balance	Amount	_balance	
Taiwan Financial Holding Co., Ltd.	\$	166,428	0.31	207,025	0.31	
BankTaiwan Securities Co., Ltd.		675		573		
Total	\$	167,103	0.31	207,598	0.31	

(xi) Interest expense

		20	20	2019		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	386	-	391	-	
BankTaiwan Life Insurance Co., Ltd.		20,010	0.08	32,614	0.08	
BankTaiwan Securities Co., Ltd.	_	406		764		
Total	\$_	20,802	0.08	33,769	0.08	

(xii) Service fee income

		20	20	2019		
Name		Amount	Percentage of account balance	Amount	Percentage of account balance	
BankTaiwan Life Insurance Co., Ltd.	\$	391,035	7.02	618,722	10.55	
BankTaiwan Securities Co., Ltd.	_	4,998	0.09	3,366	0.06	
Total	\$	396,033	<u>7.11</u>	622,088	10.61	

(xiii) Service fee expense

	202	20	2019		
		Percentage		Percentage	
		of account		of account	
Name	_Amount_	_balance_	_Amount_	balance	
BankTaiwan Securities Co., Ltd.	\$ 16,107	2.19	5,879	0.85	

(xiv) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

	2020			2019		
Name	Amount		Percentage of account balance	Amount	Percentage of account balance	
BankTaiwan Life Insurance Co., Ltd.	\$	396,750	0.70	1,134,250	2.32	
BankTaiwan Securities Co., Ltd.		(2,499)		(3,400)	(0.01)	
Total	\$	394,251	0.70	1,130,850	2.31	



(xv) Other non-interest income (expense)

		20	20	2019		
Name	_	Amount	Percentage of account balance	Amount	Percentage of account balance	
Taiwan Financial Holding Co., Ltd.	\$	29,968	(0.05)	26,623	(0.06)	
BankTaiwan Life Insurance Co., Ltd.		33,623	(0.06)	38,329	(0.08)	
BankTaiwan Securities Co., Ltd.	_	30,411	(0.05)	30,582	(0.07)	
Total	\$_	94,002	(0.16)	95,534	(0.21)	

(xvi) Other general and administrative expense

	2020			2019		
			Percentage of account		Percentage of account	
Name	A	mount	balance	Amount	balance	
Taiwan Financial Holding Co., Ltd.	\$ <u></u>	571	0.01	621	0.01	

(xvii)Loans

December 31, 2020							
Category	House holder	Highest balance in current period	Ending balance	Status of performance			Differences in
	amount or name of related party			Performing loans	Non- performing loans	Type of collateral	transaction terms between related and non related parties
Consumer loans	33 households	16,997	11,392	11,392	-	None	None
House mortgages	212 households	869,019	764,252	764,252	-	Land and buildings	None
Call loans to banks	Land Bank of Taiwan	12,624,650	7,624,650	7,624,650	-	None	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	1,405,000	1,405,000	1,405,000	-	None	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	3,520,500	2,958,500	2,958,500	-	None	None
Call loans to banks	Cathy United Bank	1,124,000	1,124,000	1,124,000	-	None	None
Call loans to banks	The Export-Import Bank of the Republic of China	2,550,000	-	-	-	None	None
Call loans to banks	BankTaiwan Securities Co., Ltd.	252,900	252,900	252,900	-	None	None
Short-term loans	Taiwan financial Holding Co., Ltd.	25,200,000	-	-	-	None	None
Short-term loans	Taiwan financial Holding Co., Ltd.	24,600,000	24,600,000	24,600,000	-	None	None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	550,000	-	-	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	16,430	-	-	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd	1,467,281	900,000	900,000	-	Land and factory	None
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	1,300,000	100,000	100,000	-	Land and factory	None

			December 31	1, 2019			
House holder Highest Ending Status of performance Diff							
Category	amount or name of related party	balance in current period	balance	Performing loans		Type of collateral	transaction terms between related and non related parties
Consumer loans	24 households	12,193	8,665	8,665	-	None	None
House mortgages	211 households	883,375	720,660	720,660	-	Land and buildings	None
Call loans to banks	Land Bank of Taiwan	8,000,000	4,498,500	4,498,500	-	None	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	15,000,000	-	-	-	None	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	1,220,200	599,800	599,800	-	None	None
Call loans to banks	Cathy United Bank	11,500,000	-	-	-	None	None
Call loans to banks	The Export-Import Bank of the Republic of China	3,754,000	-	-	-	None	None
Call loans to banks	Chang Hwa Bank	8,000,000	-	-	-	None	None
Short-term loans	Taiwan financial Holding Co., Ltd.	25,200,000	25,200,000	25,200,000	-	None	None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	500,000	-	-	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	88,431	41,119	41,119	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	100,000	100,000	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd	1,500,000	900,000	900,000	-	Land and factory	None
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	1,800,000	1,200,000	1,200,000	-	Land and factory	None

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for disclosure. The disclosure of other loans is sorted by interested parties.

(xviii) Derivative financial instruments

December 31, 2020							
					Balance sheet		
Name of related party	Subject	Agreement period	Notional amounts	Current valuation adjustment	Account name	Amount	
BankTaiwan Life Insurance Co., Ltd.	F	2017.08.04~ 2021.08.12	35,410,361		Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(688,893)	

Note 2: Collateral is classified by real estate, short term notes, government bonds, secured or non secured bonds, TSEC and GTSM stocks, non TSEC and non GTSM stocks, and others.



	December 31, 2019							
					Balance s	heet		
Name of related party	Subject	Agreement period	Notional amounts	Current valuation adjustment	Account name	Amount		
BankTaiwan Life Insurance Co., Ltd.	1	2010.08.20~ 2020.12.11	43,656,372		Valuation adjustment of financial assets measured at fair value through profit or loss - swap	(722,419)		

(xix) Lease

Between January 2015 and July 2020, the Bank rented several buildings from its related enterprise, BTLI, to be used as its branch office. A 4~5 year lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$222,704 thousand. For the year ended December 31, 2020 and 2019, the Bank recognized the amount of \$1,308 thousand and \$842 thousand as interest expense; \$42,722 thousand and \$36,686 thousand as depreciation expense, respectively. As of December 31, 2020 and 2019, the balance of lease liabilities amounted to \$127,639 thousand and \$97,983 thousand, respectively.

In January 2017, the Bank rented a building from its related enterprise, BTLI, to be used as its branch office. A 3 year lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$259 thousand. For the year ended December 31, 2020 and 2019, the Bank recognized the amount of \$2 thousand as interest expense and \$85 thousand as depreciation expense for both years. As of December 31, 2020 and 2019, the balance of lease liabilities amounted to \$86 thousand and \$171 thousand, respectively..

(xx) The price and payment conditions for related-party transactions mentioned above have no significant differences from the conditions for the transactions between the Bank and subsidiary, and non-related parties. The expense of database is allocated between the Bank and subsidiaries based on the usage of each company in the group.

(11) Pledged Assets:

Pledged assets	Purpose of pledge	Dece	mber 31, 2020	December 31, 2019
Deposits in Central Bank-time deposits	Payment and settlement systems of Central Bank	\$	20,000,000	20,000,000
Financial assets measured at fair value through other comprehensive income—bonds	Guarantee deposit for provisional seizure against defaulted loans and others		386,700	527,300
Financial assets measured at fair value through other comprehensive income—bonds	Operating deposit for securities investment trust and consulting ,and bond payment settlement reserves		195,985	182,534
Financial assets measured at amortized cost—bonds	Guarantee deposits for trust business compensation reserve		450,000	450,000
Financial assets measured at fair value through other comprehensive income – negotiable certificate	Payment and settlement systems of Central Bank		27,400,000	27,400,000
		\$	48,432,685	48,559,834

(12) Commitments and Contingencies:

(a) Commitments and contingencies

	December 31,	December 31,
	2020	2019
Trust liabilities	\$ 657,837,239	653,305,882
Marketable securities held as custodian	2,572,066,361	2,524,269,729
Goods held in custody	28,356,345	32,879,791
Contract guarantee on behalf of counter parties	1,521,700	1,221,551
Traveler's checks held on consignment	-	659,643
Consignment collection	44,815,836	47,409,273
Issuance of New Taiwan Dollars	2,606,478,684	2,449,257,937
Trustee on behalf of lenders	542,324,116	527,631,902
Registered government bonds for sale	710,642,400	715,195,300
Registered short-term bills for sale	130,135,667	210,582,786
Consigned sales of securities	700,000	-
Consigned sales of goods	1,236,718	872,556
Guarantees	96,960,192	85,887,465
Letters of credit	42,809,717	39,579,192
Total	\$ <u>7,435,884,975</u>	7,288,753,007



(b) Balance sheet, income statement and details of assets under trust

Trust assets		December 31, 2	020	December 31, 2019		
		Amount	%	Amount	%	
Deposits						
Deposits in BOT	\$	26,397,242	4	36,138,913	6	
Deposits in other banks		2,678	-	2,381	-	
Short term investment						
Investment in funds		154,052,922	24	165,849,799	25	
Investment in bonds		283,839,910	43	281,239,879	43	
Common stock investment–marketable securities		51,167,835	8	48,761,636	7	
Receivables						
Interest receivable		2,010,872	-	1,865,932	-	
Cash dividend receivable		2,975	-	669	-	
Receivables from trading securities		1,815,147	-	198,510	-	
Receivables from forward contracts		1,157,610	-	3,133,135	1	
Real estate						
Land		20,752,015	3	20,361,587	3	
Buildings		203,384	-	160,332	-	
Construction in progress		9,616,090	2	4,502,672	1	
Marketable securities under custody		106,818,559	16	91,090,437	14	
Total of trust assets	\$	657,837,239	100	653,305,882	100	

Trust liabilities		December 31, 20	020	December 31, 2019		
		Amount	%	Amount	%	
Payables						
Payables from trading securities	\$	97,584	-	147,101	-	
Payables from forward contracts		1,190,750	-	3,184,450	1	
Payables from management fee		4,697	-	4,541	-	
Payables from supervision fee		551	-	438	-	
Other payables		741	-	716	-	
Tax payable		37	-	583	-	
Securities held in custody payable		106,818,559	16	91,090,437	14	
Trust capital						
Money trust		392,188,665	60	407,904,771	62	
Marketable securities trust		241,020	-	135,482	-	
Real estate investment trust		32,973,760	5	27,146,753	4	
Other reserve and accumulated income						
Accumulated loss		129,238,423	20	118,938,177	18	
Foreign currency translation		(25,828,514)	(4)	(13,592,880)	(2)	
Deferred unrealized income		(213,437)	-	(292,012)	-	
Current income		21,124,403	3	18,637,325	3	
Total of trust liabilities	\$_	657,837,239	100	653,305,882	100	

Note: Including fund and bond investments of the offshore branch amounting to \$313,872 thousand and \$275,887 thousand as of December 31, 2020 and 2019, respectively.

	D	ecember 31,	December 31,	
Details of trust		2020	2019	
Deposits				
Deposits in the Bank	\$	26,397,242	36,138,913	
Deposits in other banks		2,678	2,381	
Short term investment				
Investment in funds		154,052,922	165,849,799	
Investment in bonds		283,839,910	281,239,879	
Common stock investment- marketable securities		51,167,835	48,761,636	
Real estate				
Land		20,752,015	20,361,587	
Buildings		203,384	160,332	
Construction in progress		9,616,090	4,502,672	
Marketable securities under custody		106,818,559	91,090,437	
Total	\$	652,850,635	648,107,636	



Income statement for assets under trust		2020	2019
Trust revenue		_	
Capital interest revenue	\$	11,436,071	12,048,903
Cash dividend revenue		1,374,915	2,230,135
Donation revenue		142,678	206,183
Realized capital gain - shares		11,163	90,558
Realized capital gain - fund		1,735,827	1,872,047
Unrealized capital gain – fund		5,995	4,061
Realized capital gain – bond		3,639,496	2,380,482
Realized gain on property exchange		523,174	139,013
Income from beneficiary certificates		4,048,996	4,127,919
Realized foreign exchange gains		-	189,100
Other revenue		<u> </u>	477
Total trust revenue		22,918,315	23,288,878
Trust expense			
Capital management fee		481,523	363,590
Tax expense		3,793	(3,671)
Supervisory fee		1,013	517
Storage fee		14,398	15,542
Commission fee		196	97
Donation cost		771,081	833,961
Unrealized capital loss – shares		391,720	3,397,745
Realized loss on property exchange		-	-
Realized foreign exchange losses		104,619	-
Other expense		25,569	43,772
Total trust expense		1,793,912	4,651,553
Net income	\$ <u></u>	21,124,403	18,637,325

(13) Profitability:

	December	31, 2020	December 31, 2019		
Ite	Before adjusting	After adjusting	Before adjusting	After adjusting	
Return on total assets	Before income tax	0.23	0.38	0.26	0.42
(Note 6)	After income tax	0.22	0.36	0.22	0.38
Return on net worth	Before income tax	3.24	4.80	3.84	5.69
(Note 7)	After income tax	3.02	4.58	3.31	5.16
Profit margin		33.73		27.01	

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 equity.

Note 3: Profit margin=Income after income tax/Total operating revenues.

- Note 4: Income before (after) income tax is the income for the whole year of 2019 and 2018.
- Note 5: The above profitability ratios are at annual rates.
- Note 6: Return on total assets after adjusting means assets excluding the short-term advances and long-term receivables resulted from government policies, and the assets of government employees insurance department; it also refers to income before (after) tax, plus, excess preferential interest expense. (If return on total assets- after adjusting at December 31, 2020 means assets excluding the assets of government employees insurance department and the income before and after tax, plus, excess preferential interest expense and interest revenue from the advance resulted from government policies, the adjusted return on total assets before (after) tax are 0.38% and 0.37%.)
- Note 7: Return on net worth after adjusting means income before (after) tax, plus, excess preferential interest expense. (If the return on net worth- after adjusting at December 31, 2020 means income before (after) tax, plus, excess preferential interest expense and interest revenue from the advance resulted from government policies, the adjusted returns on net worth before and after tax are 4.92% and 4.70%.)

(14) Losses Due to Major Disasters: None.

(15) Subsequent events:

The Bank funded \$270,000 thousand (be divided into 4 periods by 3:3:2:2) to participate in building national-loan guarantee fund in accordance with the rule Yuan Tai Jing No.1090033692 issued by Executive Yuan on November 2, 2020. This event was authorized by the Board of Directors on November 6, 2020. The Bank signed a loan guarantee agent contract with the Export-Import Bank of the Republic of China on January 25, 2021, and has appropriated \$81,000 thousand to this fund. The Bank will be able to use this fund for guarantee of related credit loans in national major economic policy.

According to the contract, if the fund was insufficient, the Bank might have the obligation to fill up the fund. However, it's uncertain whether this circumstance will occur, and also the amount cannot be measured reliably.

(16) Other:

(a) The employee benefit expenses, depreciation, depletion and amortization, categorized by function, were as follows:

By function		2020			2019	
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salaries	67,561	11,826,246	11,893,807	61,699	11,419,798	11,481,497
Labor and health insurances	107,538	530,149	637,687	110,399	527,904	638,303
Pensions	3,421	958,418	961,839	3,105	925,957	929,062
Director and supervisor compensation payment	-	2,472	2,472	-	2,553	2,553
Others	2,538,363	211,166	2,749,529	2,405,768	268,669	2,674,437
Depreciation expenses	51,168	1,371,318	1,422,486	48,402	1,324,747	1,373,149
Amortization expenses	-	346,220	346,220	-	313,388	313,388

The number of employees for the years ended December 31, 2020 and 2019 were 8,280 and 8,316, respectively. And among them, directors without employee position were 13 and 12, respectively.



(b) Financial Statements Audited adjustment

The accounting records as at and for the year ended December 31, 2019, have been audited and examined by the MoA, and the resulting adjustments are summarized as follows:

Government audit adjustments for fiscal year ended December 31, 2019:

Balance Sheet	As Previously Reported December 31, 2019		Adjustments —Increase (Decrease)	As Audited by the MoA, December 31, 2019
Assets				
Investment accounted for using equity method	\$	41,109,560	(74)	41,109,486
Current income tax assets		993,628	133,027	1,126,655
Deferred tax assets		875,458	28,339	903,797
Liabilities				
Current income tax liabilities		1,360,931	(69,791)	1,291,140
Deferred tax liabilities		18,235,065	(1,644)	18,233,421
Stockholders' equity				
Unappropriated retained earnings		20,140,122	232,727	20,372,849
Income statement		s Previously ported 2019	Adjustments — Increase (Decrease)	As Audited by the MoA, 2019
Share of profit of associates and joint ventures accounted for using equity method	\$	3,394,697	(74)	3,394,623
Profit before tax		13,211,230	(74)	13,211,156
Income tax expense		2,053,544	(232,801)	1,820,743
Net income		11,157,686	232,727	11,390,413

Revised entries by the MoA in 2019 were as follows:

Item	Adjustment accounts	Am	ount revise	ed by the MoA	Explanation of revision by the MoA
1.	Share of profit of associates and joint ventures accounted for using equity method Investment accounted	\$	74	74	MoA adjusted Investment accounted for using equity method of Hua Nan Financial Holdings Co., Ltd.
	for using equity method			, .	
2.	Income tax expense	\$	11,168		The accountant of Hong Kong branch adjusted taxable income.
	Current income tax assets		133,027		
	Current income tax liabilities			144,195	
3.	Disposal loss of property	\$	5,715		The accountant of Tokyo branch adjusted recovery cost of lease.
	Other revenue			5,715	
4.	Deferred income tax assets	\$	417		MoA adjusted taxable income.
	Current income tax liabilities			417	
5.	Current income tax liabilities	\$	214,403		MoA adjusted taxable income.
	Deferred income tax assets		27,922		
	Deferred income tax liabilities		1,644		
	Income tax expense			243,969	



- (c) Supplementary information for government employees' insurance department
 - (i) Balance sheets

		Government	employees'
		insurance de	epartment
	D	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$	59,585,616	58,135,335
Financial assets measured at fair value through profit or loss		255,253,346	179,707,321
Debt investments measured at amortized cost		74,887,928	94,907,557
Receivables, net		9,028,504	8,519,617
Other financial assets, net		15	-
Property and equipment, net		17,006	4,647
Intangible assets, net		22,490	11,635
Other assets, net		610,971	551,592
Total assets	\$ _	399,405,876	341,837,704
		Government of insurance do	- •
	D	December 31, 2020	December 31, 2019
Payables	\$	228,413	96,653
Provisions		399,177,462	341,738,589
Other liabilities		1	2,462
Total liabilities	\$	399,405,876	341,837,704

(ii) Income statement

	Government employees' insurance department						
	2020	2019					
Net interest income	\$ 2,305,583	2,644,359					
Service fee expenses	(28,432)	(16,498)					
Gain (loss) on financial assets and liabilities at fair value through profit or loss	52,303,816	38,867,938					
Foreign exchange gain (loss)	(6,318,070)	(3,521,667)					
Impairment loss of assets	2,737	4,504					
Premium income	23,623,153	23,511,625					
Government subsidy	7,784,351	8,774,387					
Insurance payments	(21,988,989)	(24,671,785)					
Provision for insurance premium reserve	(57,438,873)	(45,358,797)					
Miscellaneous expense	(91,714)	(88,718)					
Miscellaneous revenue	 10,498	12,465					
Net revenue	 164,060	157,813					
Bad debt expenses and reserve for guarantees	 (537)	2,240					
Employee benefits	137,129	130,413					
Depreciation and amortization expenses	10,167	4,378					
Other general and administrative expenses	 17,301	20,782					
	 164,597	155,573					
Net income	\$ <u> </u>						

Note: According to Government Employees and School Staff Insurance Act, if GESSI experiences a loss, the loss before May 30, 1999, would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium. Besides, according to the same Act, the expenses to carry on government employees and school staff insurance are subsidized by the budget designated by the Ministry of Civil Service.

(d) Ruling No. 10400177950 issued on August 19, 2015, by the FSC, the Bank, has obtained approval from the competent authority to engage in the business of electronic payment institutions. The Bank opened the business in 2016 and according to Article 4 of the Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions, in first year the Bank should appropriate the amount of \$500 thousand for its dedicated sinking fund account, in which the Bank had already appropriated the full amount into its account in May 2017. The Bank's fee income generated from electronic payment business for year for the years ended December 31, 2020 and 2019 were \$0 thousand and \$60 thousand, respectively. There were no interest revenue and other revenue in December 31, 2020 and 2019.



(17) Notes to Disclosure Items:

(a) Information on Significant Transactions:

Following the principle of financial report for public bank, the disclosure of information on significant transaction of the Bank and subsidiary were as follow:

- Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (ii) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock: None
- (iii) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock: None
- (iv) Service charge discounts on transactions with related parties in an aggregate amount of NT\$5 million or more: None
- (v) Receivables from related parties with amounts exceeding the lower of NT\$300 million or 10% of the capital stock: None
- (vi) Information on NPL disposal transaction:
 - 1) Summary table of NPL disposal:None
 - 2) Disposal of a single batch of NPL up to NT\$1 billion and information on each transaction: None
- (vii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information:None
- (viii) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

					State o	of transaction	
Number	1 0	Name of the counter-party	Existing relationship with the counter-party	Account name	Amount	Terms of trading	Percentage of the total consolidated revenues or total assets
0		BankTaiwan Insurance Brokers	1	Deposits	156,701	Same as regular transaction	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	_	Placement with banks	156,701	"	- %
0		BankTaiwan Insurance Brokers		Cheques deposits	204,900	"	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan		Placement with banks	204,900	"	- %
0		BankTaiwan Insurance Brokers	1	Other receivables	71,747	"	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Other payables	71,747	"	- %
0		BankTaiwan Insurance Brokers		Service fees revenue	722,971	"	2.12 %
1	BankTaiwan Insurance Brokers	Bank of Taiwan		Service fees expenses	722,971	"	2.12 %
0		BankTaiwan Insurance Brokers		Miscellaneous revenues	508	"	- %
	BankTaiwan Insurance Brokers	Bank of Taiwan		Administrative expense	508	"	- %
0		BankTaiwan Insurance Brokers		Refundable deposits	808	"	- %
	BankTaiwan Insurance Brokers	Bank of Taiwan	_	Guarantee deposits paid	808	"	- %
0		BankTaiwan Insurance Brokers		Miscellaneous revenue	15,264	"	0.04 %
1	BankTaiwan Insurance Brokers	Bank of Taiwan		Operating expenses	15,264	"	0.04 %
0		BankTaiwan Insurance Brokers	1	Interest payables	127	"	- %
	BankTaiwan Insurance Brokers	Bank of Taiwan		Interest receivables	127	//	- %
0		BankTaiwan Insurance Brokers	1	Interest expenses	338	//	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Interest incomes	338	//	- %

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

				State of transaction									
Number	Name of Company	f Company Name of the counter-party relationship wit the counter-par		Account name	Amount	Terms of trading	Percentage of the total consolidated revenues or total assets						
0	Bank of Taiwan	BankTaiwan Insurance Brokers		Other operating revenue	4,839	//	0.01 %						
1	BankTaiwan Insurance Brokers	Bank of Taiwan		Right-of-use assets	9,602	"	- %						
1 -	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Lease liabilities	9,713	"	- %						
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Interest expense	138	"	- %						
1	BankTaiwan Insurance Brokers	Bank of Taiwan		Depreciation expense	4,730	"	0.01 %						

Note 1: Number is based on the following rules:

- 1) The parent company is 0.
- 2) Subsidiaries are numbered by company from 1.
- Note 2: The relation with trader is numbered as follow:
 - 1) The parent company to its subsidiary is 1.
 - 2) The subsidiary to its parent company is 2.
- Note 3: The transactions mention above have already write-off when building the financial report.
- (ix) Other significant transactions that may have substantial influence upon the decisions made by financial report users: None
- (b) Information on Investees:

The followings are the information on investees during 2020:

(In Thousands of New Taiwan Dollars)

								,				
				Original	Gain(Loss) recognized	Held by th	Held by the bank and related party at					
Name of the	Investee	Major	% of	investment	during the			Subto	otal	Notes		
investee	Location	Operation	shares	amount	period	Shares		Shares	% of Shares			
Hua Nan Financial Holdings Co., Ltd.	Taipei	Financial Holding	21.23 %	40,210,042	1,837,155	3,223,189	-	3,223,189	25.07 %			
Tang Eng Iron Works Co., Ltd.	Kaohsiung	Iron Industry	21.37 %	901,078	(142,254)	74,802	-	74,802	21.37 %			
Tai Yi Real Estate Management Co., Ltd.	Taipei	Real Estate Service	30.00 %	22,203	4,368	1,500	-	1,500	30.00 %			
BankTaiwan Insurance Brokers Co., Ltd.	Taipei	Insurance Brokers	100.00%	378,869	68,259	2,000	-	2,000	100.00%	note 3		

- Note 1: The shares held or to be held by The Bank or its directors, supervisors, president, vice president and investees held by the affiliates as defined in the Company Act shall be included.
- Note 2: 1) The shares to be held shall mean the shares acquired upon conversion, as hypothesized, of equity securities purchased or contracted for derivative products concluded (not yet converted to equity) in accordance with the trading terms and conditions and The Bank's intent to link with the reinvested enterprise's equity for the purpose of reinvestment provided in Article 74 of the Act.
- 2) The "equity securities" referred to in the preceding paragraph shall mean the valuable securities referred to in Paragraph 1 of Article 11 of the Securities and Exchange Law Enforcement Rules, e.g. convertible corporate bond and warrant.

 3) The "derivative products" referred to in the preceding paragraph shall comply with the definition of derivative products referred to in Statement of Financial Accounting Standards No. 34, e.g. stock option.

 Note 3: This transaction had been written off when preparation the consolidated financial statements.
- (c) Information on Investment in Mainland China:
 - Information on investees' names, locations, etc. in China:

(In Thousands of New Taiwan Dollars)

Investee	Main	Total Amount of Paid-in	Investment	Accumulated outflow of Investment from Taiwan as of	Investme		Accumulated outflow of investment from Taiwan as of December 31,	Net income from	% of	Equity in the Earnings	Carrying value as of December	Accumulated inward remittance of earnings as of December
Company	Business	Capital	types (Note1)	January 1, 2020	Outflow	Regain	2020	investee	shares	(gains) (Note2)	31, 2020	31, 2020
Bank of Taiwan, Shanghai Branch	Banking business	4,325,000 CNY1,000,000		4,325,000 CNY1,000,000		1	4,325,000 CNY1,000,000	520,254	100.00%	520,254	5,915,537	-
Bank of Taiwan, Guangzhou Branch	Banking business	4,325,000 CNY1,000,000		4,325,000 CNY1,000,000		1	4,325,000 CNY1,000,000		100.00%	230,056	4,799,972	-
	Banking business	4,325,000 CNY1,000,000		4,325,000 CNY1,000,000		-	4,325,000 CNY1,000,000	209,934	100.00%	209,934	4,609,661	-

- Note 1: Three types of investments are as follows:
 - 1) Direct investment in Mainland China.
 - 2) Investment in Mainland China through a company set up in a third region.
 - 3) Via overseas branches.

Note 2: The net income from investeees is not audited by an independent auditor, yet.



(ii) Limitation on investment in Mainland China:

Unit	In	thousan	ds	$\alpha f'$	$\Gamma W I$)
	111	unousan	(12	()		•

Current period of accumulate investment amount remitting from Taiwan	7.7	The regulation announced by Investment Commission, MOEA rationed investing amount
12,975,000	12,975,000	229,886,673

(d) Subsidiaries lending to other parties, guarantees and endorsements for other parties, securities held as of December 31, 2020, securities for which purchase or sale amount for the period exceed \$300 million or 10% of the Bank's paid-in capital, and trading in derivative financial instruments: None.

(18) Segment Information:

- (a) Bank department: include transacting deposit, loan, and foreign exchange; dispatching, managing, performing TWD and foreign currency; investing in securities, and analyzing, managing interest for loan and deposit, and etc.
- (b) Government employees' insurance department: include managing government employees' insurance business; auditing insurance, cash settlement, and issue business; analyzing, managing, and taking statistics of government employees' insurance business, and etc.
- (c) Department of Procurement: include managing government institutions, public schools, and public enterprises' centralized purchasing business; being agency of government institutions, public schools, and public enterprises for inter-entity supply contract, and etc.
- (d) Department of Precious Metals: include managing gold, silver, precious metals and analyzing customs duty; gold, silver and precious metals intermediary trading, planning, marketing, training, settlement, risk management, assuring and etc.
- (e) BankTaiwan Insurance Broker: operation businesses include insuring personal, property insurance, related services, and the business approved by the authority which related to insurance broker.

					2020			
			Department of					
	Bank department		Government Employees Insurance	Department of Procurement	Department of Precious Metals	BankTaiwan Insurance Brokers	Reconciliation and elimination	Total
Interest income	\$ 51,745,234		2,305,583	3	1,150	338	(338)	54,051,970
Less: interest expense	_	26,565,093				138	(476)	26,564,755
Interest income, net		25,180,141	2,305,583	3	1,150	200	138	27,487,215
Non-interest income, net		15,700,381	45,960,051	368,169	1,020	199,050	(68,259)	62,160,412
Other non-interest income	_	(8,031,179)	(48,101,574)	(11,907)	655,044	(984)	(20,611)	(55,511,211)
Net revenue		32,849,343	164,060	356,265	657,214	198,266	(88,732)	34,136,416
Bad debt expenses and reserve for guarantees		(310,626)	537	-	-	-	-	(310,089)
Operating expenses	_	(21,017,225)	(164,597)	(114,074)	(95,344)	(112,978)	20,502	(21,483,716)
Continuing operating income before income tax	\$ _	11,521,492		242,191	561,870	85,288	(68,230)	12,342,611
Continuing operating income after inocme tax	\$ _	10,711,119		242,191	561,870	68,230	(68,230)	11,515,180
Total assets	\$ <u>_</u> :	5,083,803,140	399,405,876	2,456,043	1,845,520	480,292	(89,192,775)	5,398,798,096
Total Liabilities	\$ 4	1,701,462,742	399,405,876	2,213,852	1,283,653	101,535	(88,814,017)	5,015,653,641

					2019					
			Department of							
	de	Bank partment	Government Employees Insurance	Department of Procurement	Department of Precious Metals	BankTaiwan Insurance Brokers	Reconciliation and elimination	Total		
Interest income	\$ 63,375,552		\$ 63,375,552		2,644,359	15	14,300	410	(410)	66,034,226
Less: interest expense		39,355,438				192	(602)	39,355,028		
Interest income, net		24,020,114	2,644,359	15	14,300	218	192	26,679,198		
Non-interest income, net		24,945,854	35,334,277	412,001	(128,074)	333,772	(167,267)	60,730,563		
Other non-interest income		(7,787,798)	(37,820,823)	(22,511)	412,231	(1,024)	(18,993)	(45,238,918)		
Net revenue		41,178,170	157,813	389,505	298,457	332,966	(186,068)	42,170,843		
Bad debt expenses and reserve for guarantees		(7,342,988)	(2,240)	-	-	-	-	(7,345,228)		
Operating expenses		(21,150,580)	(155,573)	(110,831)	(90,771)	(125,589)	18,885	(21,614,459)		
Continuing operating income before income tax	\$	12,684,602		278,674	207,686	207,377	(167,183)	13,211,156		
Continuing operating income after inocme tax	<u>\$</u>	10,904,052		278,674	207,686	167,184	(167,183)	11,390,413		
Total assets	\$ _4,	781,125,423	341,837,704	2,520,539	1,934,694	546,167	(3,234,073)	5,124,730,454		
Total Liabilities	\$ 4,	403,126,619	341,837,704	2,241,865	1,727,008	108,849	(2,796,755)	4,746,245,290		



V. Individual Financial Statements of Recent Years, and Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors of Bank of Taiwan:

Opinion

We have audited the financial statements of Bank of Taiwan ("the Bank"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China ("FSC").

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants, Ruling No. 10802731571 issued by the FSC and the auditing standards generally accepted in Republic of China in 2020. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Bank of Taiwan in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

In accordance with the auditing regulations in Taiwan, the financial statements of the Bank are required to be audited by the Ministry of Audit (the "MoA"). The financial statement for the financial year ended December 31, 2019 has been audited and approved by the MoA. The adjustments made by the MoA are reflected in the financial statement. For further information, please see note 16(b). Our opinion is not modified in respect of this matter.

Other Matter

As stated in note 6(j) of the financial statements, we did not audit the financial statements of Hua Nan Financial Holdings Co., Ltd. and Tai Yi Real Estate Co., Ltd. of investments in associates accounted for using equity method of the Bank amounting to NT\$40,232,245 thousand and NT\$40,082,169 thousand as of December 31, 2020 and 2019, respectively, constituting 0.75% and 0.78% of the related total assets; nor the related shares of investment profit in associates accounted for using equity method of NT\$1,841,523 thousand and NT\$3,391,427 thousand for the years then ended, respectively, constituting 5.41% and 8.07% of the related net revenue. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts includes above, is based solely on the report of the other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. The assessment of impairment of financial assets

Please refer to Note 4(k) "Impairment of assets" for related accounting policy, Note 5(c) "The evaluation of financial asset impairments" for the uncertainty of accounting assumptions and estimations, and Note 8 "Financial risk management" for the details of evaluation of financial asset impairments.

Description of key audit matters

When assessing whether there is any indication that the financial assets other than measured at fair value through profit or loss may be impaired, the Bank relys on management for considering all kinds of observable data and using the expected credit loss model, including probability of default, loss of default, exposure at default and prospective economic factors, to calculate the impairment loss. The calculation process is complicated and involves the exercise of judgment. Eventually, the assumptions used may also affect the estimated amount significantly. Furthermore, the amount of financial assets which required impairment tests is material to the Bank. Therefore, the assessment of impairment of financial assets has been identified as a key audit matter in our audit.

How the matter was addressed in our audit

Our principal audit procedures included (i) inspecting the internal guidelines of impairment assessment of credit and investment business, understanding the Bank's procedures of the assessment of impairment of financial assets, and testing related internal control procdures; (ii) performing analytical procedures; (iii) assessing the reasonableness of the Bank's assessment of impairment of financial assets and, if necessary, acquiring assistance from internal specialist; (iv) verifying the accuracy of loan loss provision based on "Regulations Governing the Procedures for Enterprises Engaging in Insurance to Evaluate Assets and Deal with Non performing/Non accrual Loans"; (v) assessing whether the impairment of financial assets is presented and disclosed fairly.



2. The valuation of financial instruments

Please refer to Note 4(e) "Financial instrument" for related accounting policy, Note 5(b) "The fair value valuation of non-active market or non-quoted financial instruments" for major sources of uncertainty for assumptions and estimation, and Note 7 "The fair value and fair value hierarchy of the financial instruments" for the details of valuation of financial instruments.

Description of key audit matters

The Bank holds the value of financial assets and liabilities, which shall calculated by a model are classified as level 2 and level 3 expect for which shall calculated by an observable for active market are classified as level 1. The parameters of inputs which often involve the exercise of judgment in valuation process. The valuation of financial instruments may be misstated due to the use difference of valuation techniques and assumptions. The amount of financial asset and liabilities the Bank hold as of December 31, 2020 were significant. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

How the matter was addressed in our audit

Our main audit procedures included (i) reviewing accounting policy about the fair value of financial instruments measurement and disclosure, and performing an assessment over the investment cycle of its initial recognition, subsequent measurement and disclosures on financial statement (ii) for the financial instruments measured at fair value with active market, sampling test of prices are quoted in an active market (iii) sampling to test whether the fair value of the financial instruments measured at fair value without an active market are appropriate by re-calculating and obtaining the quoted price from counter parties or independent third parties, as well as appointing our valuation specialists to assess the reasonableness of the models and parameters the Bank used when deemed necessary (iv) assessing whether the disclosure of financial instruments in accordance with International Financial Reporting Standards.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Budget Law, Account Settlement Law, Uniform Regulations on Accounting Systems for Banks Governed by the Ministry of Finance, Regulations Governing the Preparation of Financial Reports by Public Banks and with the IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Feng-Hui Lee and Lin Wu.

KPMG

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

Notes to Readers

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

BANK OF TAIWAN

Balance Sheets December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

1,000 Cash and Cash Equivalens Asset Amontized Coach Equivalent Equival	December 31, 2020 December 31, 2019	Amount % Amount %	\$ 268,447,708 5 229,253,533 5	15,849,400	32,337,278 1 60,283,847 1	49,894 - 25,537 -	6,418,088 - 21,564,871 -	41,636,403 1 43,827,118 1	1,096,367 - 1,273,649 -	4,173,100,442 78 3,972,246,112 78	24,999,085 - 24,998,820 -	924,671 - 962,539 -	420,235,522 8 361,813,702 8	1,323,312 - 1,479,132 -	18,360,527 - 18,233,421 -	11,217,405 - 10,694,864 -	5,015,996,102 93 4,746,657,145 93		109,000,000 2 109,000,000 2	108,453,043 2 108,453,043 2		47,616,203 1 44,692,790 1	40,538,707 1 36,640,733 1	22,802,920 - 20,372,849 -	110,957,830 2 101,706,372 2	54,733,582 1 59,325,749 1	383,144,455 7 378,485,164 7	\$ 5,399,140,557 100 5,125,142,309 100
Assets Assets Amount Annual Annual Annual Annual Annual Annual Annual Annual Assets and Cash Equivalents Annual Annual Annual Annual Annual Annual Annual Annual Annual Assets Measured at Fair Value through Profit or Loss December 31, 2019 Annual Annua		Liabilities and Equity	Deposits of Central Bank and Other Banks	Total due to the central bank and banks	Financial Liabilities Measured at Fair Value through Profit or Loss	Hedging Derivative Financial Liabilities, net	Bills and Bonds Sold under Repurchase Agreements	Payables	Current Income Tax Liabilities	Deposits and Remittances	Financial Bonds Payables	Other Financial Liabilities	Provisions	Lease Liabilities	Deferred Tax Liabilities	Other Liabilities	Total liabilities	Equity attributable to owners of parent :	Capital Stock	Capital Surplus	Retained earnings:	Legal Reserve	Special Reserve	Unappropriated Retained Earnings		Other Equity	Total equity	Fotal liabilities and equity
December 31, 2020			21000	21500	22000	22300	22500	23000	23200	23500	24000	25500	25600	26000	29300	29500		Ξ.	31101	31500	-	32001	32003	32005		32500		_
Assets December 31, 2020 Amount Amount Amount Strate Amount Strate Amount Strate and Cash Equivalents 7.6 Amount Amount Strate S	6	_% ∾	=	5	50		3	,	_	,	52	_	_	3	,			,									ı	211
December 31, 2020	ecember 31, 201	Amount 9	560,586,872	244,193,929	,013,078,126		177,206,775	1,071	58,497,703	1,126,655	,676,141,224	41,546,887	40,158,445	138,125,216	1,603,487	15,238,207	873,217	898,143	11,553,574									
December 31, 20 Cash and Cash Equivalents Cash and Cash Equivalents			Ξ	9			33	,	_	,	53 2	-	-	3		,	,	,	,									0.0
å .	December 31, 202		593,466,945	326,438,433	991,067,914		156,093,052		53,437,162	2,100,360	2,869,204,520	41,512,192	37,763,270	139,161,467	1,447,075	15,238,207	980,334	626,619	16,511,833									
-		nd Cash Equivalents	Placement With Central Bank and Call Loans to Banks	Financial Assets Measured at Fair Value through Profit or Loss	Financial Assets Measured at Fair Value through Other Comprehensive	Income	Debt Investments Measured at Amortized Cost	Hedging Derivative Financial Assets	Receivables, net	Current Income Tax Assets	Loans and Discounts, net	Investments under Equity Method, net	Other Financial Assets, net	Property and Equipment, net	Right-of-Use Assets, net	Investment Property, net	Intangible Assets, net	Deferred Tax Assets	Other Assets, net									
		11000	11500	12000	12100		12200	12300	13000	13200	13500	15000	15500	18500	18600	18700	19000	19300	19500									



BANK OF TAIWAN

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019		Change
		Amount	%	Amount	%	%
	Revenue and income:					
41000	Interest income	\$ 54,051,970	158	66,034,226	157	(18)
51000	Less:Interest expenses	(26,565,093)	<u>(78</u>)	(39,355,438)	(93)	(32)
	Net interest income	27,486,877	80	26,678,788	64	3
	Non-interest income, net					
49100	Service fees ,net	4,633,270	14	4,840,315	12	(4)
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	56,523,035	166	48,786,406	116	16
49310	Realized gains from financial assets measured at fair value through other comprehensive income	3,545,905	10	3,580,638	8	(1)
49600	Foreign exchange gain (loss)	(4,406,124)	(13)	(203,841)	-	(2,062)
49700	Provision of impairment loss on assets	(33,992)	-	(1,350)	-	(2,418)
49750	Share of profit (loss) of associates and joint ventures accounted for using equity method	1,767,528	5	3,561,890	8	(50)
49837	Premiums (loss) gain	1,634,164	5	(1,160,160)	(3)	241
49843	Sales income	846,871	2	500,387	1	69
48054	Subsidized income from government	7,784,351	23	8,774,387	21	(11)
49898	Excess preferential interest expenses	(8,469,704)	(25)	(8,781,167)	(21)	4
49871	Provisions for policyholders' reserve premium	(57,438,873)	(167)	(45,358,797)	(108)	(27)
49899	Excess interest expenses	153,575		806,449	2	(81)
	Net Revenue	34,026,883	100	42,023,945	100	(19)
58200	Total bad debts expense and guarantee liability provision	310,089	1	7,345,228	17	(96)
	Expenses:					
58500	Employee benefits expenses	13,471,614	40	13,092,439	31	3
59000	Depreciation and amortization expenses	1,716,633	5	1,637,320	4	5
59500	Other general and administrative expenses	6,202,994	18	6,777,995	16	(8)
	Total Expenses	21,391,241	63	21,507,754	51	(1)
	Profit from continuing operations before tax	12,325,553	36	13,170,963	32	(6)
61003	Less: Income tax expenses	810,373	2	1,780,550	4	(54)
	Net profit	11,515,180	34	11,390,413	28	1
65000	Other comprehensive income:					
65200	Components of other comprehensive income that will not be reclassified to profit or loss					
65201	Losses on remeasurements of defined benefit plans	(1,051,716)	(3)	(1,565,918)	(4)	33
65205	Change in fair value of financial liability attributable to change in credit risk of liability	23,007	-	(299,554)	(1)	108
65204	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(4,779,758)	(14)	16,242,122	39	(129)
65207	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(107,641)	-	829,608	2	(113)
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss					-
		(5,916,108)	(17)	15,206,258	36	(139)
65300	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
65301	Exchange differences on translation of foreign financial statements	(1,084,186)	(3)	(445,785)	(1)	(143)
65308	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive					
	income	1,066,457	3	821,721	2	30
65307	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(111,518)	-	213,814	1	(152)
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	10,534		30,302		(65)
	Components of other comprehensive income that will be reclassified to profit or loss	(139,781)		559,448	2	(125)
65000	Other comprehensive income	(6,055,889)	<u>(17</u>)	15,765,706	38	(138)
	Total comprehensive income	\$ 5,459,291	17	27,156,119	66	(80)
	Basic earnings per share(In dollars)	s	1.06		1.15	
		-				

BANK OF TAIWAN

For the years ended December 31, 2020 and 2019 Statements of Changes in Equity

(Expressed in Thousands of New Taiwan Dollars)

Balance at January 1, 2019 Appropriation and distribution of retained earnings: Legal reserve appropriated Special reserve appropriated Cash dividends of ordinary share Reversal of special reserve income Other comprehensive income Capital increase based on land pricing Disposal of investments in equity instruments designated at fair value through other Capital increase based on land pricing Disposal of investments in equity instruments designated at fair value through other Capital increase physopriated Capital increase based on land pricing Disposal of investments in equity instruments designated at fair value through other Capital increase appropriated Special reserve appropriated Cash dividends of ordinary share Other comprehensive income Trall commercements in capital surplus:					_	Unrealized gains					
retained earnings: a state of \$\$\text{official official off	7	Deferred serving	ornince	•	Exchange differences on translation of	financial assets measured at fair value through	Change in fair value of financial liability	Gains (losses) on	Other comprehensive income		
retained earnings: ive in the first salue through other retained earnings: interpretation of the interpreta	8	Special reserve	Undistributed earnings	Total	financial statements	comprehensive income	change in credit	instruments for hedging	applying overlay	Total	Total equity
retained earnings:	00,400,040	55,105,996	11,019,742	47,101,004	(110,000)	47,373,000	192,513	4,193	(1,234)	41,914,330	210,173,043
icing 14,000,000 14,000,000 17 retained earnings:											
reing 14,000,000 1,000,000 1,000,000 1,000,000 1,000,000	- 2,654,866		(2,654,866)								
reing 14,000,000 1 14,000,000 1 1 19,000,000 1 1 19,000,000 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		3,539,881	(3,539,881)		,						
icing 14,000,000 14,000,000 17 retained earnings:		,	(800,000)	(800,000)	,	,	,	,	,	,	(800,000)
icing 14,000,000 1. instruments designated at fair value through other 109,000,000 1. retained earnings:		(3,146)	3,146		,						
icing 14,000,000 1. Treatments designated at fair value through other 109,000,000 1. Treatmed earnings:			11,390,413	11,390,413	,						11,390,413
icing 14,000,000 Tristruments designated at fair value through other 109,000,000 1 Treatined earnings:	-	,	(1,639,655)	(1,639,655)	(699,412)	18,370,191	(301,751)	(238)	36,571	17,405,361	15,765,706
icing 14,000,000 instruments designated at fair value through other 109,000,000 ireained earnings:		,	9,750,758	9,750,758	(699,412)	18,370,191	(301,751)	(238)	36,571	17,405,361	27,156,119
rinstruments designated at fair value through other retained earnings:		,	,	,			,	,	,	,	42,000,000
retained carmings:											
reainod earnings:			(6,050)	(6,050)		6,050				6,050	
Appropriation and distribution of retained earnings: Legal reserve appropriated Special reserve appropriated Cash dividends of ordinary share Other changes in capital surplus: Other comprehensive income Thal commercial income	,000 108,453,043 44,692,790	36,640,733	20,372,849	101,706,372	(1,350,223)	60,751,921	(109,236)	3,955	29,332	59,325,749	378,485,164
Legal reserve appropriated Special reserve appropriated Cash dividends of ordinary share Other changes in capital surplus: Net income for the period The comprehensive income That commerces income											
Special reserve appropriated Cash dividends of ordinary share Other changes in capital surplus: Net income for the period The comprehensive income The commence of the complete income	- 2,923,413		(2,923,413)								
Cash dividends of ordinary share Other changes in capital surplus: Not income for the period Other comprehensive income Other comprehensive income	1	3,897,974	(3,897,974)							,	
Other changes in capital surplus: Net income for the period Other comprehensive income Total commedensive income			(800,000)	(800,000)	,					,	(800,000)
Net income for the period Other comprehensive income Total commrehensive income											
Other comprehensive income Total commerhensive income			11,515,180	11,515,180							11,515,180
Total comprehensive income			(1,090,906)	(1,090,906)	(1,457,046)	(3,541,734)	23,007	32	10,758	(4,964,983)	(6,055,889)
			10,424,274	10,424,274	(1,457,046)	(3,541,734)	23,007	32	10,758	(4,964,983)	5,459,291
Disposal of investments in equity instruments designated at fair value through other											
comprehensive income			(372,816)	(372,816)		372,816				372,816	
Balance at December 31, 2020 S 109,000,000 108,453,043		40,538,707	22,802,920	110,957,830	(2,807,269)	57,583,003	(86,229)	3,987	40,090	54,733,582	383,144,455



BANK OF TAIWAN

Statements of Cash Flows

For the years ended December 31, 2020 and 2019 (Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities: Profit before tax	\$ 12,325,553	13,170,963
Adjustments:	9 12,323,333	13,170,70.
Adjustments to reconcile profit (loss):		
Depreciation expense	1,421,711	1,372,37
Amortization expense	346,089	313,34
Expected credit loss	310,089	7,345,22
Interest expense	26,565,093	39,355,43
Interest income	(54,051,970	(66,034,22
Dividend income	(7,905,140	
Net change in other provisions	55,794,041	45,358,09
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,767,528	(3,561,89
Loss on disposal of property and equipment	27,731	57,85
Impairment loss (Reversal profit) on financial assets	32,526	(98
Impairment loss on non-financial assets	1,466	2,33
Total adjustments to reconcile profit	20,774,108	16,160,16
Changes in operating assets and liabilities:		
Decrease in due from the central bank and call loans to banks	(2,048,699	(1,445,740
Increase in financial assets measured at fair value through profit or loss	(82,853,097	(9,965,22
(Increase) decrease in financial assets measured at fair value through other comprehensive income	(12,908,496	140,323,013
Decrease (increase) in investments in debt instruments measured at amortised cost	12,769,459	(8,723,58
Decrease in financial assets for hedging	1,071	40,62
Decrease in receivables	3,020,346	2,490,93
Increase in discounts and loans	(193,288,108	(126,391,55
Decrease in other financial assets	2,395,175	5,881,73
Increase in other assets	(1,930,140	(2,913,82
Increase in deposits from the central bank and banks	39,194,175	7,497,39
(Decrease) increase in financial liabilities measured at fair value through profit or loss	(27,946,569	9,729,53
Increase in financial liabilities for hedging	24,357	12,56
Decrease in notes and bonds issued under repurchase agreement	(15,146,783	(3,513,17
Increase (decrease) in payables	3,080,215	(2,901,59
Increase (decrease) increase in deposits and remittances	200,854,330	(53,944,42
Increase in provisions for employee benefits	2,557,397	1,382,56
Decrease in other liabilities	(1,147,025	(176,92
Total adjustments	(52,598,284	(26,457,526
Cash outflow generated from operations	(40,272,731	(13,286,563
Interest received	57,583,784	65,974,873
Dividends received	9,488,204	7,734,66
Interest paid	(31,835,758	(38,396,133
Income taxes paid	(1,562,730	(1,331,38
Net Cash flows from (used in) operating activities	(6,599,231	20,695,45
Cash flows from (used in) investing activities:	·	
Acquisition of property and equipment	(1,932,863	(792,99
Proceeds from disposal of property and equipment	1,102	-
Increase in refundable deposits	(926,429) -
Decrease in refundable deposits	-	236,71
Acquisition of intangible assets	(451,665	(421,68
Net cash flows from (used in) investing activities	(3,309,855	(977,96
Cash flows from (used in) financing activities:		
Increase in due to the central bank and banks	15,849,400	-
Increase in guarantee deposits received	1,669,566	3,120,60
Payment of lease liabilities	(577,142	
Increase in other financial liabilities	-	283,69
Decrease in other financial liabilities	(37,868	
Cash dividends paid	(2,925,912	
Net cash flows from (used in) financing activities	13,978,044	2,002,04
Effect of exchange rate changes on cash and cash equivalents	(1,412,029	
Net increase in cash and cash equivalents	2,656,929	21,065,27
Cash and cash equivalents at beginning of period	922,531,460	901,466,18
Cash and cash equivalents at originishing of period	\$ 925,188,389	922,531,46
Composition of cash and cash equivalents:	723,100,007	, 22,001, 1 0
Cash and cash equivalents reported in the statement of financial position	\$ 154,091,174	144,312,77
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	217,017,313	186,167,47
		592,051,20
Other items qualifying for cash and cash equivalents under the definition of IAS 7		
Other items qualifying for cash and cash equivalents under the definition of IAS 7 Cash and cash equivalents at end of period	554,079,902 \$ 925,188,389	922,531,4



Review of Financial Conditions, Financial Performance, and Risk Management

276	I.	Analysis	of Fi	nancial	Status
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276 II. Financial Performance

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Review of Financial Conditions, Financial Performance, and Risk Management

I. Analysis of Financial Status

Unit: NT\$1,000

Year	Dog 21 2020	Dog 21 2010	Cha	nge
Items	Dec. 31, 2020	Dec. 31, 2019	Amount	%
Total Assets	5,398,798,096	5,124,730,454	274,067,642	5.35
Total Liabilities	5,015,653,641	4,746,245,290	269,408,351	5.68
Total Equity	383,144,455	378,485,164	4,659,291	1.23

Note: Consolidated financial reports serve as the accounting basis.

Analysis of changes in the value:

Total assets in 2020 increased from the previous year, mainly because the deposits and remittances and provision of the liability account increased from 2019, and the Bank conducted lending and investment business, with the result that the loans and discounts and financial assets measured at fair value through profit or loss of the asset account increased from 2019. Total equity in 2020 was up from 2019, due mainly to the increases in the retained earnings.

II. Financial Performance

Unit: NT\$1,000

Year	2020	2019	Cha	nge
Items	2020	2019	Amount	%
Net Interest Income	27,487,215	26,679,198	808,017	3.03
Non-Interest Income, net	6,649,201	15,491,645	(8,842,444)	(57.08)
Net Revenue	34,136,416	42,170,843	(8,034,427)	(19.05)
Bad Debt Expense and Reserve for Guarantees	310,089	7,345,228	(7,035,139)	(95.78)
Operating Expenses	21,483,716	21,614,459	(130,743)	(0.60)
Net Income before Tax	12,342,611	13,211,156	(868,545)	(6.57)
Income Tax Expenses	827,431	1,820,743	(993,312)	(54.56)
Net Income after Tax	11,515,180	11,390,413	124,767	1.10

Note: Consolidated financial reports serve as the accounting basis.

Analysis of changes in the value:

- 1. The decrease in net income before tax in 2020 compared with 2019 was due mainly to a decrease in the share of profit (loss) of associates and joint ventures accounted for using equity method.
- 2. The increase in net interest income in 2020 compared with 2019 was due mainly to the fact that the Central Bank announced an interest rate cut, and the Bank's deposits exceeded its loans. These factors caused the drop in 2020 interest expenses to exceed the drop in interest income.
- 3. The decrease in non-interest net income in 2020 compared with 2019 was due mainly to an increase in the net provision for insurance premium reserve.
- 4. The decrease in bad debt expense and reserve for guarantees in 2020 compared with 2019 was caused mainly by a decrease in provision for allowance for doubtful accounts.
- 5. Income tax expenses for 2020 were down from 2019, mainly due to a decrease in income tax expense as calculated in accordance with the provisions of tax legislation.

III. Analysis of Cash Flow

1. Liquidity Analysis for the Past Year

(1) Cash Flow Analysis

Unit: NT\$1,000

Year			Cha	ınge
Item	2020	2019	Amount	%
Net Cash Inflow (Outflow)	2,656,929	21,065,275	(18,408,346)	(87.39)

The main reasons for the net change were as follows:

Unit: NT\$1,000

Items	Amount
Increase in net cash outflow from placement with Central Bank and call loans to banks	(602,959)
Increase in net cash outflow from financial assets measured at fair value through profit or loss	(72,887,874)
Decrease in net cash inflow from financial assets measured at fair value through other comprehensive income	(151,582,261)
Decrease in net cash outflow from debt investments measured at amortized cost	21,493,044
Decrease in net cash inflow from hedging financial assets	(39,551)
Decrease in net cash inflow from receivables	(969,300)
Increase in net cash outflow from loans and discounts	(66,975,335)
Decrease in net cash inflow from other financial assets	(3,486,563)
Decrease in net cash outflow from other assets	890,478
Increase in net cash inflow from deposits of Central Bank and other banks	31,696,781
Decrease in net cash inflow from financial liabilities measured at fair value through profit or loss	(37,676,099)
Increase in net cash inflow from hedging financial liabilities	11,793
Increase in net cash outflow from bills and bonds purchased under resell agreements	(11,633,607)
Decrease in net cash outflow from payables	5,972,606
Decrease in net cash outflow from deposits and remittances	254,906,240
Decrease in net cash inflow from employee benefit obligations	(479,961)
Decrease in net cash outflow from other liabilities	52,487
Increase in net cash inflow from other operating activities	4,944,206
Increase in net cash outflow from investing activities	(2,237,914)
Increase in net cash inflow from financing activities	10,953,215
Others	(757,772)
Total	(18,408,346)

Note: Consolidated financial reports serve as the accounting basis.

(2) Remedy for Estimated Shortage of Liquidity: Not applicable.



2. Liquidity Analysis for the Coming Year

Unit: NT\$1,000

Beginning Cash	Annual Net Cash Flow from Operating	Annual Net Cash Flow from Other	Cash Balance	Remedy for Estima	ted Cash Shortage
Balance (a)	Activities (b)	Activities (c)	(Shortage) (a)+(b)+(c)	Investment Plan	Financial Plan
925,188,419	7,424,789	(2,786,663)	929,826,545	-	-

Note: Consolidated financial reports serve as the accounting basis.

(1) Cash Flow Analysis

- A. Operating activities: Due primarily to a net cash inflow produced by the increase of interest income from loans.
- B. Investing activities: Mainly due to a net cash inflow produced by receipts of investment interest and dividends.
- C. Financing activities: Primarily due to a net cash outflow produced by cash dividends paid.
- (2) Remedial Action to Make Up for Cash Inadequacy, and Liquidity Analysis: Not applicable.

IV. Investment Policy of Last Year, Main Reasons for the Profits/Losses Generated thereby, Improvement Plans, and Investment Plans for the Coming Year

To assure the quality of investment and to heighten return on investment, the Bank plans for the disposal of reinvested enterprises that are performing poorly; sends letters asking for the formulation of improvement measures to reinvested enterprises whose operations resulted in losses on a regular basis in the hope of improving their operations, upgrading their operating performance, creating profits, and protecting investment costs; and participates in meetings of the boards of directors and supervisors of invested enterprises so as to remain aware of their business conditions and take necessary improvement measures in time.

The Bank's investment gains (recognized under the equity method) were affected by the industrial and financial turmoil arising from the COVID-19 pandemic, but factoring in stock dividends resulted in total gains of roughly NT\$4.572 billion (including BOT subsidiary BankTaiwan Insurance Brokers Co., Ltd.), so investment performance was still quite good.

The Bank earmarked funds in its 2014 budget to invest in a wholly-owned Bank of Taiwan (China) Limited, with capitalization provisionally set at RMB 2 billion.

V. Risk Management

1. Qualitative & Quantitative Information on Different Types of Risk

(1) Credit Risk Management System and Accrued Capital

A. Credit Risk Management System

Year 2020

Items	Contents
Credit Risk Strategies, Goals, Policies, and Procedures	 Credit Risk Strategies, Goals, and Policies In accordance with the loan, investment strategies and operating directions approved by the Board of Directors, and in compliance with the New Basel Capital Accord and the regulatory provisions of the competent authority, the Bank readjusts its credit risk management strategies whenever necessary, and in response to changes in the macroeconomic market, loan portfolio risk, asset quality, and government policy. The Bank will establish and effectively implement a healthy credit risk management mechanism to lower credit risk, and achieve operating and management targets. When the Bank engages in business and management procedures related to credit risk, it evaluates the probability and severity of losses from the investment or loan and adopts appropriate credit risk management countermeasures in consideration of the Bank's risk appetite and cost effectiveness. Risk management countermeasures include risk hedging, risk transfer or mitigation, risk control, and assumption of risk. Credit Risk Management Procedures Credit Risk Management Procedures Credit risk assessment and monitoring are carried out in accordance with the relevant regulations of the competent authority and the Bank, and reports are submitted to the Bank's Board of Directors and Risk Management Committee. Risk quotas and early-warning indexes are established by industry, country, conglomerate, and trading partner in order to control the concentration of risk, and monitoring and reporting are carried out. To effectively measure the quality of loan assets, the Bank has established pre-loan investigation and screening rules and procedures. It has also strengthened post-loan management, and has adopted the following control and measurement mechanisms: a loan review and follow-up evaluation system, and loan early-warning mechanism: a loan review and follow-up evaluation system, and loan early-war
Organization and Framework of Credit Risk Management	The Bank's organizational framework of credit risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, and other business units. The Board of Directors is the Bank's supreme policymaking, management and supervision unit and has final responsibility for the Bank's overall credit risk management. The Risk Management Committee is responsible for the Bank's risk management policy, system, rules, organization, and overall risk assessment, and for supervising and examining revision affairs.

Items	Contents
Scope and Characteristics of the Credit Risk Reports and Measuring System	 Credit Risk Reports (1) The Bank's credit risk reports include the standard system-produced credit risk reports that are submitted to the competent authority, and monthly credit risk monitoring reports. (2) The Bank's Department of Risk Management produces credit risk monitoring reports and submits them to the chief executive on a monthly basis, and also makes regular reports to the Board of Directors and Risk Management Committee. The contents of these reports include risk-control conditions such as the status of bank-wide exposure to credit risk, the status of utilization of total amounts and quota limits, analysis of the management of credit risk concentration, analysis of overseas branch (including the OBU) loan asset portfolios, and asset quality and off-book items. Dynamic monitoring of credit risk is also carried out as necessary, and if major changes are found, they are reported to the chief executive in order to control credit risk effectively and strengthen risk management mechanisms. Credit Risk Measuring System The Bank currently uses the standardized credit risk approach to calculate capital allocation. The Risk Management Information System automatically produces various reports each month, including reports to the competent authority, management-related reports, and information-disclosure reports. These reports are used to compile monitoring reports for C-level executives, the Risk Management Committee, and the Board of Directors. To strengthen its credit risk management capabilities, the Bank adopted a foundation internal ratings-based approach to credit risk. Under this approach, the Bank takes into account the characteristics of borrowers, changing economic conditions, the availability of collateral or guarantee, and other relevant factors, and makes use of credit information to
	prepare a credit rating and a default probability score for each borrower. This rating and score have been incorporated into the loan approval process, and are factored into the setting of lending rates. 1. Credit Risk Hedging and Mitigation Policy (1) The Bank adopted risk concentration limits for firms from industries, corporate groups, countries, etc. to avoid excessive risk concentrations, and has continued to monitor for any problems of this sort. The Bank also adjusts risk concentration limits both periodically
	and randomly to ensure that its business is run in a safe and sound manner. (2) The Bank has established a loan review and follow-up auditing system to strengthen post-loan management, and continuous monitoring of the condition of borrowers. Loan review is carried out within the term of loans in accordance with the review rating, and follow-up auditing is carried out for important loan cases. (3) The Bank operates in accordance with its loan policy and rules for the handling of
Credit Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	collateral to seek the provision of collateral or guarantees to augment the creditworthiness of borrowers and lower credit risk. (4) Credit risk mitigation methods (such as netting, eligible collateral, and guarantees) are included in related information systems in accordance with the rules of the New Basel Capital Accord and the competent authority in order to calculate the results of the Bank's risk mitigation accurately.
	 Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments The Bank monitors the status of and changes in credit risk concentration quotas, distribution of risk exposure, asset quality, and types of collateral exposure on a scheduled basis; reviews trigger ratios and limit ratios whenever necessary; and assures the integrity and effectiveness of collateral and guarantees. Scheduled reports are submitted to the Risk Management Committee for use in compiling statements on effective strategies and procedures, and in studying countermeasures. The Bank has set up a collateral management system that can effectively handle its
Method of Legal Capital Allocation	collateral and calculate accurately of the results of collateral mitigation. Standardized Approach

B. Exposure and Accrued Capital Following Risk Mitigation Using the Standardized Credit Risk Approach

Dec. 31, 2020

Unit: NT\$1,000

Type of Exposure	Exposure Following Risk Mitigation	Accrued Capital
Sovereign Nations	1,473,909,428	163,130
Non-Central Government Public Sector	776,919,494	21,962,321
Banks (Including Multilateral Development Banks)	399,502,766	17,031,101
Enterprises (Including Securities and Insurance Firms)	1,003,005,904	94,199,758
Retail Loans	413,980,042	24,874,709
Residential Real Estate	754,833,046	36,800,535
Equity Investment	40,289,395	4,230,386
Equity Investments in Investment Funds and Venture Capital firms	1,430	1,877
Other Assets	214,339,430	17,301,753
Total	5,076,780,935	216,565,570

(2) Securitization Risk Management System, Exposure, and Accrued Capital

A. Securitization Risk Management System

Year 2020

Items	Contents
Securitization Management Strategies and Procedures	The Bank has not acted as the originator of securitized products, but only as investor. The Bank's management strategies and procedures for investment in securitized products are handled in accordance with the rules contained in the Bank's "Investment Policy," "Rules for Trading and Management of NT Dollar Funds," and "Operating Rules for Engaging in the Offshore Banking Business."
Organization and Framework of Securitization Management	The Bank has not played the role of originator bank, and the risks potentially associated with its investment in securitized products (including credit risk, market risk, liquidity risk, interest rate risk, and operational risk) are controlled in accordance with the organizations and frameworks related to the different categories of risk as well as with the Bank's risk management system and reporting mechanism.
Scope and Characteristics of the Securitization Risk Reports and Measuring System	The Bank carries out prior evaluation of the risks and benefits associated with investment in securitized products in accordance with the relevant investment rules; evaluates profit and loss on a monthly basis; submits risk reports to the unit in charge, Department of Risk Management, senior management, and Investment Commission; and reports regularly to the Risk Management Committee and the Board of Directors.
Method of Legal Capital Allocation	Standardized Approach

B. Status of Securitization

None



C. Securitization Risk Exposure and Accrued Capital (According to the Type of Transactions)

Dec. 31, 2020

Unit: NT\$1,000

			Traditional					Synth	etic	Total			
1 1	Type of Exposure	Asset Class			Risk Exposure								
Bank	Book		Retention or Purchasing	The Provision of Liquidity Facilities	The Provision of Credit Enhancement	Subtotal (1)	Accrued Capital (2)	Retention or Purchasing (3)	Accrued Capital (4)	Risk Exposure (5)=(1)+(3)	Accrued Capital (6)=(2)+(4)	Accrued Capital before Securitization	
	Dankin .	MBS	2,199,419	0	0	2,199,419	46,188	0	0	2,199,419	46,188		
Non- Originating	Banking Book	ABS	0	0	0	0	0	0	0	0	0		
Bank	Trading Book	REITs	40,528	0	0	40,528	5,674	0	0	40,528	5,674		
	Subtotal		2,239,947	0	0	2,239,947	51,862	0	0	2,239,947	51,862		
	Banking Book												
Originating Bank	Trading Book												
	Subtotal												
Total			2,239,947	0	0	2,239,947	51,862	0	0	2,239,947	51,862		

D. Securitized Product Information

a. Summary of information about investment in securitization products

Dec. 31, 2020

Unit: NT\$1,000

Item	Account	Original Cost	Accumulated Value Income	Accumulated Impairment	Book Value
Mortgage-Backed Securities (MBS)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	2,192,800	6,619	0	2,199,419
Asset-Backed Securities (ABS)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	0	0	0	0
Real Estate Investment Trusts (REITs)	110401 Financial assets measured at fair value through profit or loss -current- closed end fund	28,357	12,171	0	40,528

Note: 1. This table includes both domestic and overseas securitization products.

^{2.} This table includes beneficial interest securities or asset-backed securities held by the bank as an originator.

b. Summary of information about original cost of single transaction for investment in securitization products amounting to more than NT\$300 million

Dec. 31, 2020

Unit: NT\$1,000

Securities	Account	Currency	Issuer & Place	Trade Date	Maturity Date	Interest Rate	Credit Rating	Repayment	Original Cost	Accumulated Value Income	Accumulated Impairment	Book Value	Attachment Point	Asset Pool
GNR 2020- 148 BA MTGE (US38382KYK32)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Oct. 20, 2020	Oct. 20, 2050	1%	Aaa/ AA+/ AAA	Interest and principal paid monthly	552,982	-2,354	0	550,628	N.A.	First-Lien Mortgage Loans
GNR 2020- 167 GY MTGE (US38382LAB71)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Oct. 21, 2020	Nov. 20, 2050	1%	Aaa/ AA+/ AAA	Interest and principal paid monthly	559,415	-186	0	559,229	N.A.	First-Lien Mortgage Loans
GNR 2020- 183 CB MTGE (US38382LUT69)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Dec. 10, 2020	Dec. 20, 2050	1.25%	Aaa/ AA+/ AAA	Interest and principal paid monthly	789,259	0	0	789,259	N.A.	First-Lien Mortgage Loans

Note: This table includes both domestic and overseas securitization products.



(3) Operational Risk Management System and Accrued Capital

A. Operational Risk Management System

Year 2020

Items	Contents
Operational Risk Management Strategies and Procedures	The Bank has established multi-level authorization rules and reporting procedures in its business rules and operating manuals, in regard to bank customers, products and business activities, business sources, sales channels, and transaction complexity and volume, and in consideration of potential risk. In its SOP, the Bank also stipulates that in their review work officers should pay attention to risk control, strengthen identification, emphasize potential risk, formulate evaluation procedures, and establish a frequency of risk monitoring on a regular basis.
Organization and Framework of Operational Risk Management	 The Bank's organizational framework of operational risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, and other business units. The Board of Directors is the Bank's operational risk management supreme policymaking unit, which approves the Bank's operation management policies and makes sure that the Bank effectively carries out the operational risk management mechanism. The Risk Management Committee implements operational risk management policies approved by the Board of Directors, establishes and maintains operational risk management mechanism, and coordinates interdepartmental operational risk management matters. The Department of Risk Management is responsible for establishing systematic criteria to identify, measure, evaluate and monitor operational risk management, and submits reports to the Risk Management Committee on bank-wide operation risk information. The units in charge of different areas of business have established business rules and operating manuals in order to distinguish operational risk. The different units bank-wide carry out their various businesses in accordance with business rules, operating manuals, and standard operating procedures. The Department of Auditing (Board of Directors) is the Bank's independent auditing unit, and evaluates the effectiveness, design and implementation of operational risk management.
Scope and Characteristics of the Operational Risk Reports and Measuring System	 The Bank's operational risk monitoring and control measures focus on such matters as the following: collection and analysis of loss events at each unit; maintenance, tracking, and inspection of standard operating procedures (SOP); implementation of key risk indicators (KRIs); and risk concept reports. The Department of Risk Management prepares monthly operational risk monitoring reports and submits them to top management, and on a quarterly basis it submits the reports to the Risk Management Committee, the Audit Committee, and the Board of Directors. The reports contain information on: bank-wide operational risk exposures; collection and analysis of loss events; implementation of KRIs; maintenance, tracking, and inspection of standard operating procedures (SOP); causes of customer complaints, and related corrective action measures; ongoing monitoring of corrective actions to mitigate material operational risks; and establishment of a risk management culture. The Bank currently uses the standardized operational risk approach to calculate capital charges for operational risk, has established a standardized operational risk capital charge system (an MIS sub-system), and produces various monthly reports, which it uses to prepare monitoring reports to be submitted to senior management, the Risk Management Committee, and the Board of Directors. The Bank has set up the Loss Data Collection (LDC) system, Operational Risk Control Self-Assessment (RCSA), and Key Risk Indicators (KRIs) as tools for measuring operational risk.

Items	Contents
Operational Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	The BOT has internal rules and standard operating procedures for its handling of these matters, and carries out education and training to ensure that employees are properly familiar with the rules and procedures. In response to a changing business environment, the Bank improved business processes, job rotation schedules, trader position limits, and legal compliance, strengthened on-site inspections of the first line of defense in internal control, and established systemic methods to reduce or avoid operational risk.
	2. In accordance with its accumulated experience and operating procedures, as well as in consideration of various types of business cost/effectiveness analysis, the Bank uses insurance (such as employee fidelity insurance, cash insurance, building insurance and miscellaneous equipment insurance) and remote backup to offset operational risk losses caused by operational negligence, personnel, assets, or systems. The outsourcing of operations is handled in accordance with the Bank's "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Operations" in order to prevent operational risk from outsourced operations.
Method of Legal Capital Allocation	Standardized Approach

B. Operational Risk Accrued Capital

Dec. 31, 2020

Unit: NT\$1,000

Year	Gross Income	Accrued Capital
2018	34,910,823	
2019	37,813,327	
2020	30,608,161	
Total	103,332,311	5,142,395



(4) Market Risk Management System and Accrued Capital

A. Market Risk Management System

Year 2020

Items	Contents
Market Risk Management Strategies and Procedures	In accordance with the risk management strategies and operating directions approved by the Board of Directors, and in compliance with the New Basel Capital Accord and the regulatory provisions of the competent authority, the Bank has established a market risk management system and policy. To effectively identify, assess, measure and monitor the risk associated with different investment business, the Bank sets up different investment quotas and stop-loss limits and reports are submitted to the Board of Directors, Risk Management Committee, and senior management.
Organization and Framework of Market Risk Management	 The Bank's organizational framework of market risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, trading units and their traders, risk control personnel, and back-office personnel. The Board of Directors is the Bank's supreme market risk management and monitoring unit, which is responsible for the risk policies and the Bank's quota limits approval. The Risk Management Committee is responsible for the Bank's risk management policy, rules, organization, overall risk assessment, supervision, and examining revision affairs. The Department of Risk Management is responsible for the planning and revision of risk management, handles formulation and integration of risk management regulations. Acting in accordance with the Bank of Taiwan Market Risk Management Rules and related risk management rules, units in charge of business identify, assess, measure, and manage market risks in their areas of jurisdiction, adopt bylaws and operating procedures, monitor and manage the implementation of risk management at the various trading units, and work with the Department of Risk Management to control bank-wide risks. BOT trading units are required to comply with the Bank's various market risk management rules, manage positions, control position limits, and furnish required reports to units in charge of business or the Department of Risk Management.
Scope and Characteristics of the Market Risk Reports and Measuring System	 The Bank's market risk monitoring encompasses all trading units and overall and individual trading procedures for different financial products, and includes changes in position, changes in profit and loss, trading models, trading targets, and trading book risks, all of which should be carried out in accordance with the Bank's quota limits, stop-loss, and over limit disposition rules, and within authorization limits. The Bank's Department of Risk Management produces market risk monitoring reports and submits them to the chief executive on a monthly basis, and also makes regular reports to the Board of Directors and Risk Management Committee. The contents of these reports include risk-control conditions such as the status of bank-wide exposure to market risk, capital requirement, financial instruments quotas and limit exceeding, analysis of the management of risk concentration, and securities that have been targeted for special monitoring, among others. The Bank currently uses the standardized market risk approach to calculate capital allocation. The Risk Management Information System automatically produces various reports each month, including reports to the competent authority, management-related reports, and information-disclosure reports. These reports are used to compile monitoring reports for senior management, the Risk Management Committee, and the Board of Directors. In order to introduce the IMA for market risk into day-to-day risk management processes, the Bank has incorporated VaR limits management mechanism into "Bank of Taiwan Trading Book Management Provision," which are monitored daily and reported monthly.

Items	Contents
Market Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	 The Bank's "Operating Rules for Engaging in the Offshore Banking Business" clearly specify the range of trading in the offshore banking business and establish trading limits according to the credit rating and world ranking of counterparties, issuing institutions, and guarantor institutions. The Rules also have strict specifications regarding categories of securities, with trading quotas and stop-loss limits being established for the trading book positions of different units. In accordance with the "Operating Criteria for Derivatives Products, and Internal Control Operating Methods," the Bank uses the following risk-hedging principles to trade in derivative financial products by trading units: (1) Principal and loss quotas are reviewed on a regular basis. Reverse-squaring trading for derivatives positions has been provided for, and can be used for the mutual offsetting of positions, which are listed as net amounts. (3) The market risk of structured derivative financial products is calculated under the principle of decomposition. For products that do not admit of decomposition, positions should be covered in round lots, with no retained positions allowed.
Method of Legal Capital Allocation	Standardized Approach

B. Market Risk Accrued Capital

Dec. 31, 2020

Unit: NT\$1,000

Risk Category	Accrued Capital
Interest Rate Risk	2,038,691
Equity Security Risk	1,625,052
Foreign Exchange Risk	1,984,533
Option Risk	0
Commodity Risk	0
Total	5,648,276

Note: The calculation includes securitization exposure.



(5) Liquidity Risk

The Bank uses two methods to manage liquidity risk: total amount management, and flow management. Total amount management is carried out according to the Central Bank's "Directions for Auditing Liquidity of Financial Institutions," and liquidity reserves are allocated in reference to fluctuations in the Bank's flow of funds. The implementation of flow management depends on the time of inflow and outflow of funds and is divided into real-time management and medium and long-term management. When the flow of funds reaches a set limit, business units are required to submit a report immediately so as to maintain a grasp of the status of capital and provide for the adoption of advance countermeasures. In addition, a monthly analytic report on the Bank's New Taiwan Dollar and Foreign Currencies funds liquidity risk and interest rate risk is compiled and submitted to the Assets and Liabilities Management Committee.

A. New Taiwan Dollar-Denominated Maturity Date Structure

Dec. 31, 2020

Unit: NT\$ 1,000

	Items Total	Amounts by Time Remaining before Maturity							
Items		0-10 days	11-30 days	31-90 days	91-180 days	181 days- one year	Over one year		
Major Inflows of Matured Funds	5,090,802,872	526,085,674	518,410,556	665,603,499	453,548,045	803,351,445	2,123,803,653		
Major Outflows of Matured Funds	6,391,248,906	472,735,095	388,971,171	672,994,478	665,857,087	1,416,365,296	2,774,325,779		
Period Gap	-1,300,446,034	53,350,579	129,439,385	-7,390,979	-212,309,042	-613,013,851	-650,522,126		

Note: The table includes New Taiwan Dollar Amounts held in the head office, the domestic and overseas branches, and Offshore Banking Branch.

B. U.S. Dollar-Denominated Maturity Date Structure

Dec. 31, 2020

Unit: US\$ 1,000

		Amounts by Time Remaining before Maturity							
Items	0	0-30 days	31-90 days	91-180 days	181 days- one year	Over one year			
Major Inflows of Matured Funds	46,609,250	14,233,651	11,506,724	4,346,707	6,342,569	10,179,599			
Major Outflows of Matured Funds	47,276,724	11,993,418	11,357,230	6,756,213	6,367,457	10,802,406			
Period Gap	-667,474	2,240,233	149,494	-2,409,506	-24,888	-622,807			

Note: The table includes USD Amounts held in the head office, the domestic and overseas branches, and Offshore Banking Branch.

2. Impact of Changes in Major Domestic and Overseas Policies and Laws on the Bank's Financial Operations, and Countermeasures

- (1) Impact of Changes in Major Domestic and Overseas Policies on the Bank's Financial Operations, and Countermeasures
 - Corporate governance, corporate social responsibility, and other sustainability issues are the subject of special concern due to the rapid pace of FinTech development at home and abroad, steps taken by the government to better prevent FinTech crime, and increasingly stringent cyber security and anti-money laundering regulations. These factors have increased the complexity of banks' business operations. The Bank will remain attentive to the influence of major government financial and economic policies, and provide appropriate responses in a timely fashion so as to lower the impact on its financial operations.
- (2) Impact of Changes in Major Domestic and Overseas Laws on the Bank's Financial Operations, and Countermeasures

The Bank's Department of Compliance collected information on legal provisions related to the Bank's businesses and forwarded it in a timely manner to the related business units with instructions to comply with legislative amendments and to act as quickly as possible to develop response plans or suggest revisions to the Bank's operating rules and bylaws so as to abide by the law, ensure legal compliance, and reduce operational risk. The Bank's overseas branches, meanwhile, are required each month to fill out "Updates on Important Local Legislative Action, Supervisory Focal Points, and Table of Follow-up Action on Material Compliance Irregularities," and analyze the impact of the legal environment on current business operations as well as adjustments made by the Bank to ensure proper compliance. In addition, the Department of Compliance regularly browsed the websites of overseas financial authorities and prepared reports on important overseas legislative action in order to assess the performance of overseas branches in collecting information on legislative changes in their host jurisdictions.

3. Impact of Technological and Industrial Changes on the Bank's Financial Operations, and Countermeasures

- (1) Impact of Technological Changes on the Bank's Financial Operations, and Countermeasures By taking a "Prospection-Oriented" approach, the Bank will respond to deregulation by taking maximum advantage of FinTech innovation and continuing to promote digital financial services.
 - A. The Bank continued to provide a wide variety of online and mobile banking services, and expanded the functions available to users of mobile phone interbank account transfer services.
 - B. The Bank continued working with the Financial Information Service Co., Ltd. and Taiwan Mobile Payment Co., Ltd. to jointly promote the "Taiwan Mobile Payment App."



- C. The Bank discussed cooperation with electronic payment institutions. The idea was to join forces with heterogeneous firms as a preparatory step toward expanding its financial ecosystem services.
- D. The Bank expanded the functionality of its platform for integrated cloud services. The Bank also integrated its accounting servers to provide online-to-offline and mobile services, thus improving the user experience and achieving more efficient operations.
- E. The Bank drew up plans for an "e-Bill National Payment Network Online Payment Gateway" system, which provides an API interface that third-party service providers can use to retrieve account data in the Paytax network. Having this ability enables a third-party service provider to offer its customers a one-step process for checking and paying bills online.
- F. The Bank is planning to introduce new intelligent customer services, and will use mobile technology and a social media-based life ecosystem to link up its various digital financial services.
- (2) Impact of Industrial Changes on the Bank's Financial Operations, and Countermeasures

In response to changes in industry, and paying due attention to the need for both lending growth and risk control, the Bank has taken the following measures:

- A. Enhancement of the Bank's credit risk management
 - a. The Bank adopted credit exposure restrictions and exposure warning thresholds for specific industries in order to spread credit risk among different industries.
 - b. The Bank adopted a credit exposure ratio to strengthen its risk management.
- B. Enhancement of the ability to track industrial development trends

The Bank prepares monthly sector reports that focus on industries in which the Bank lends especially large amounts, industries in which development trends are subject to especially sharp swings, or industries which have been targeted for special development assistance. These sector reports are distributed throughout the Bank and cover nine sectors, including semiconductors, information technology, green energy, petrochemicals, steel, transportation, etc. The reports also provide updates on conditions in various sectors and cover the specific status of BOT borrowers in these sectors. The reports thus serve as useful reference for BOT branches, and help them track industry trends and understand the condition of borrowers.

C. Enhancement of credit examiner professionalism

The Bank regularly invites experts from industry, government, academia, and research institutes to share their insights on the latest trends in key industries. Meanwhile, the Bank has purchased training videos from the Industrial Technology Research Institute, and the Institute for Information Industry. In addition, the Bank from time to time dispatches employees to take part in seminars held by industrial research institutions in order to stay abreast of the latest trends in industry, and enhance their professional expertise.

4. Impact of Changes on the Bank's Image, and Countermeasures

The Bank makes efforts to expand its businesses and achieve the budget targets. In addition, the Bank treats customers with sincerity, always puts the customer's interests first, and provides unmatched safeguards for customers' wealth. The Bank works actively to enhance its service quality by simplifying operating procedures and participates actively in numerous public-benefit activities.

5. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans None

6. Expected Benefits from, Risks Relating to and Response to Operating Channel Expansion Plans

Since the addition of more business locations can expand the deposit, loan, remittance, and wealth management businesses while increasing stable customer sources, the Bank will continuously evaluate the feasibility of setting up new business locations, in light of economic conditions and the development of commerce and industry in different areas, and will provide customers with diversified services to tap into synergies.

The Bank has been taking proactive steps in recent years to expand its overseas presence and accelerate its development of markets throughout Asia. The Bank is very carefully planning its expansion strategy and choosing appropriate lines of business in its overseas operations. With this in mind, it holds periodic business update meetings to keep abreast of progress in efforts to train employees for international business operations, market its multinational businesses, establish compliance systems, and deploy information systems. Measures are taken as necessary to prepare for potential operational risks.

7. Risks Arising from the Concentration of Business, and Countermeasures

The Bank's main source of income is from interest income, and changes in interest rates have a relatively large influence on the Bank's income. To reduce the risk caused by interest-rate fluctuations, the Bank will monitor changes in interest rates continuously, closely adjust the structure of its assets and liabilities, and increase the ratio of fee and commission income.



VI. Crisis Management Mechanism

In regard to latent or present crises, the Bank has adopted a series of pre-event, mid-event, and post-event countermeasures. The crisis management mechanism that has been established by the Bank includes:

- 1. A "BOT Emergency Response Manual,"
- 2. A "BOT Instructions for Crisis Notification Procedures,"
- 3. A "BOT Operation Crisis Response Countermeasures,"
- 4. A "BOT Operations Non-Interruption Plan,"
- 5. A "BOT Crisis Reporting System,"
- 6. An "Emergency Contact Numbers for Headquarters and Branches,"
- 7. A "Computer Security Incident Response Team (CSIRT),"
- 8. A "BOT Response Measures for the COVID-19 Pandemic." The Bank continues to amend all of the foregoing as necessary.



Special Disclosure

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I. Information on Affiliated Enterprises



Special Disclosure

I. Information on Affiliated Enterprises

1. The Bank's Subsidiaries (Dec. 31, 2020)

Bank of Taiwan					
Shareholding 100%					
BankTaiwan Insu	rance Brokers Co., Ltd.				

2. Basic Data of the Bank's Subsidiaries

Dec. 31, 2020

Unit: NT\$1,000

Enterprise Name	Establishment Date	Address	Paid-in Capital	Major Operations	
BankTaiwan Insurance Brokers Co., Ltd.	Jan. 23, 2013	4F., No. 49, Sec. 1, Wuchang St., Zhongzheng Dist., Taipei City	20,000	Life Insurance Agency Property Insurance Agency	

3. Information of Chairman, Directors, Supervisors and President of the Bank's Subsidiaries

Dec. 31, 2020

Enterprise Name	5 "	Company Name and Personantality	Shareholding		
Enterprise Name	Position	Company Name and Representative	Shares	%	
BankTaiwan Insurance Brokers Co., Ltd.	Acting Chairman Director Director Supervisor President	Bank of Taiwan Legal Representative: Kang, Fan Legal Representative: Huang, Chen-Ying Legal Representative: Ho, Ming-Yao Legal Representative: Hsu, Ning-Yung Huang, Chen-Ying	2,000,000	100%	

4. Operation Overview of the Bank's Subsidiaries

Dec. 31, 2020

Unit: NT\$1,000

Enterprise Name	Capital	Total Assets	Total Liabilities	Equity	Operating Revenue	Operating Profits	Income (After Tax)	EPS in NT\$ (After Tax)
BankTaiwan Insurance Brokers Co., Ltd.	20,000	480,292	159,783	320,509	922,159	86,072	68,231	34.12



Directory of Head Office and Branches

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I. Domestic Business Units

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II. Overseas Units



Directory of Head Office and Branches

I. Domestic Business Units

Please refer to BOT website: https://www.bot.com.tw/English/BusinessUnits

II. Overseas Units



Branch	Address	Telephone	FAX	SWIFT
New York Branch	100 Wall Street, 11th Floor, New York, NY 10005 U.S.A.	1-212-968-8128	1-212-968-8370	BKTWUS33
Los Angeles Branch	601 S. Figueroa St., Suite 4525 Los Angeles, CA 90017 U.S.A.	1-213-629-6600	1-213-629-6610	BKTWUS6L
Hong Kong Branch	23/F., Central Tower, 28 Queen's Road Central, Central, Hong Kong	852-2521-0567	852-2869-4957	BKTWHKHH
Tokyo Branch	7F, Fukoku Seimei Building, 2-2 Uchisaiwaicho 2-Chome Chiyoda- Ku, Tokyo 100-0011, Japan	813-3504-8881	813-3504-8880	BKTWJPJT
Singapore Branch	80 Raffles Place #28-20 UOB Plaza 2 Singapore 048624	65-6536-5536	65-6536-8203	BKTWSGSG
South Africa Branch	11, Cradock Ave. Rosebank 2196, Johannesburg, South Africa	27-11-880-8008	27-11-447-1868	BKTWZAJJ
London Branch	Level 17, 99 Bishopsgate, London, EC2M 3XD, U.K.	44-20-7382-4530	44-20-7374-8899	BKTWGB2L
Shanghai Branch	30F, No.1788, Nan-Jing West Rd., Jing-An District, Shanghai, P.R.C. 200040	86-21-3256-9900	86-21-3256-9477	BKTWCNSH
Guangzhou Branch	Guangzhou International Finance Center, Unit 04-06, 24F, No 5, Zhujiang Xi Road, Zhujiang New Town, Tian He District, Guangzhou, Guangdong Province, P.R.C.	86-20-8367-3000	86-20-8883-1933	BKTWCN22
Fuzhou Branch	Suite 3908, 39F, Sheng Long Building, No.1, Guangming South Road, Tajjiang District, Fuzhou City, Fujian Province, P.R.C.	86-591-8361-3189	86-591-2830-1020	BKTWCNBF
Sydney Branch	Suite 10.02, Level 10, Chifley Tower, 2 Chifley Square, Sydney NSW 2000, Australia	61-2805-15300	61-2893-74530	BKTWAUS2
Shanghai JiaDing Sub-Branch	Room 203, 2F. No.1, Lane 819, Yin-Xiang Rd., Jia-Ding Dist., Shanghai, P.R.C. 201802	86-21-5910-5311	86-21-5910-5312	BKTWCNSH
Mumbai Representative Office	Regus Platina, 9th Floor, Platina, C-59, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400051, India	91-2267000907	91-2267000600	-
Yangon Representative Office	Rose Garden Offices, Unit 1 & 2, 1st Floor, No.171, Upper Pansodan Road, Mingalar Taung Nyunt Township, Yangon, The Republic of the Union of Myanmar	95-1-371992	95-1-371993	-
Silicon Valley Representative Office	75E. Santa Clara St., Suite 1210, San Jose, CA 95113, U.S.A.	1-408-963-0451	1-408-389-0883	-
Bangkok Representative Office	Unit 3, 22nd Floor, AIA Sathorn Tower, 11/1 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120, Thailand	66-20464926	66-20464924	_
Frankfurt Representative Office	4F, Bockenheimer Landstrasse 51-53, 60325 Frankfurt, Germany	49-699-77887600	49-699-77887601	_
Manila Representative Office	Unit 1404, Tower 1 & Exchange Plaza, Ayala Avenue, Makati City, Philippines	632-53101688	632-53101687	-
Ho Chi Minh City Representative Office	Rm 503-1, 5F, Royal Tower B, Royal Centre Building, 235 Nguyen Van Cu Street, Nguyen Cu Trinh Ward, District 1, Ho Chi Minh City, Vietnam	28-39253096	28-39253095	-
Jakarta Representative Office	Gedung Artha Graha Lt 26, 26-03 SCBD, Jl. Jend. Sudirman Kav. 52-53, Jakarta 12190, Indonesia	62-215153386	62-215153346	-
Kuala Lumpur Representative Office	Unit 1-30-3A, Level 30, Menara Bangkok Bank, No. 105, Jalan Ampang, 50450 Kuala Lumpur, Malaysia	60-321811616	60-321815588	-



BANK OF TAIWAN

Chairman

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NO. 120, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10007, Taiwan (R.O.C.) Tel: 886-2-2349-3456

Tel: 886-2-2349-3456 https://www.bot.com.tw SWIFT: BKTWTWTP



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