

 BANK OF TAIWAN
2021 ANNUAL REPORT

 **Leading & Global**



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◆ **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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2021 **ANNUAL REPORT**

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Letter to Shareholders

A Brief Introduction of the Bank



Chairman | Joseph Jye-Cherng Lyu

Letter to Shareholders

As vaccination rates rose throughout the world in 2021, the economic impact of the pandemic declined accordingly. Economic activity began to pick up in major countries, and the global economy shifted into a stable recovery. The International Monetary Fund (IMF) estimated a global economic growth rate of 5.9% in 2021.

As regards domestic economic performance, Taiwan raised its nationwide COVID-19 alert from Level 2 to Level 3 in May 2021, but a joint effort by the government, private companies, and individual citizens brought domestic transmissions under relatively good control, and the government adopted numerous relief and stimulus measures. In addition, offshore Taiwanese businesses began returning to Taiwan, manufacturers began to shift orders to Taiwan, and the government continued forward with the implementation of the Forward-looking Infrastructure Development Program. As a result, Taiwan posted an economic growth rate of 6.45% in 2021, which was an 11-year high.

Over the past year, the Bank of Taiwan (BOT) vigorously supported the government's relief and stimulus measures, and adopted a "Troika" business strategy designed to ensure a balanced emphasis on consumer lending, corporate lending, and public sector lending. Thanks to a unified effort by top management as well as the rank-and-file, the Bank achieved excellent business performance. Pre-tax earnings for 2021 amounted to NT\$16.96 billion, an outstanding figure that far exceeded the annual target. The Bank also continued to improve its asset quality and strengthen its risk-bearing capacity. The NPL ratio was 0.11% and the NPL coverage ratio stood at 1,325.24%, in both cases the best figures that the Bank has ever achieved.

Support for economic development : To coordinate with the government's "Three Major Programs for Investing in Taiwan," BOT has approved more than NT\$100 billion worth of credit to finance plans by offshore Taiwanese businesses to invest in Taiwan. In addition, the Bank is leaning toward an increasingly balanced credit structure. Consumer loans have become a second driver of profitability, and the Bank has once again obtained a three-year concession to extend preferential home loans under the Directorate-General of Personnel Administration's "Low-Interest Nest-building Loan Program" for government employees and educators. This lending activity makes a substantive contribution to social stability and national economic development.



President | Chih-Wen Hsu

Relief loans in support of government policy : As the country's leading bank, BOT regards the implementation of government policy as an integral part of its mission. When parties adversely affected by the pandemic applied for relief loans, BOT observed the principles of "leniency, quickness, and simplicity" in processing the applications. The Bank also administered a "Preferential Small Loan Program for Small and Medium Enterprises" and a "Low-Interest Easy Loan Program for Small and Micro Enterprises," and provided a wide range of government policy-driven loans. Thanks to the efforts of every Bank staff member, the Ministry of Economic Affairs and the Small and Medium Enterprise Credit Guarantee Fund of Taiwan selected BOT as a recipient of two Relief and Stimulus Awards (one for the highest amount lent to SMEs, and the other for loans to the largest number of SMEs).

Quintuple Stimulus Vouchers : BOT was once again selected as an administrator bank and voucher redemption bank for paper stimulus vouchers, and was able to do an excellent job thanks to lessons learned from handling the previous Triple Stimulus Vouchers. The Bank completed advance preparations during the week preceding the date of redemption and secured the cooperation of participating merchants. Among all the state-owned banks that handled redemptions of paper Quintuple Stimulus Vouchers, BOT handled redemptions of the highest number of vouchers, which contributed to the Bank's fee income. In addition, Quintuple Stimulus Vouchers were also bound to the Taiwan Pay mobile payments app, and BOT was also first among the state-owned banks in terms of the number of accounts to which the vouchers were bound.

Overseas business operations : As BOT's international business network grew more complete, the Bank was able to act via its overseas business locations to continue cooperating with world-leading financial institutions and banks to build stronger local business, seize upon business opportunities in different regions, position itself to take advantage of post-pandemic recovery, pursue chances to lead syndicated loans, and achieve enhanced performance in its overseas credit business. In addition, to stay abreast of economic growth and high-tech development in and around Phoenix, Arizona in the US, BOT made plans to establish a representative office in the city in 2022. BOT also made use of overseas credit guarantees to help expatriates from Taiwanese firms obtain working capital, and these efforts earned the Bank several awards from the Overseas Credit Guarantee Fund (Taiwan), including the "Award for Outstanding Amount of Total Guaranteed Loans," the "Award for Outstanding Amount of Guaranteed COVID-19 Project Loans," the "Award for Growth in Amount of Guaranteed Loans to Countries Targeted by the New Southbound Policy," and the "Award for Outstanding Amount and Number of Guaranteed Loans by a Single Bank Branch (South Africa Branch)."

Sustainable finance : BOT has incorporated an environmental, social, and governance (ESG) focus into its business activities. Besides addressing climate change risks in its risk monitoring reports in order to strengthen resilience to climate change risks, BOT on 27 August 2021 completed its first issuance of green bonds, and all the proceeds were used to fund green lending. The Bank also carried out Asia's

largest sustainability-linked syndicated loan, and completed a locally syndicated loan to finance offshore wind power. BOT also incorporated ESG factors into its credit, investment, and product reviews, and plans to sign on to the Equator Principles by May 2022. Moving forward, the Bank will take advantage of its leading role in the financial market to guide customers to attach importance to sustainability issues and spur overall economic development.

Digital transformation : BOT renamed its Department of Electronic Banking as the Department of Digital Banking, and the BOT InnoLab was transferred from the Department of Planning to the Department of Digital Banking to create a fully built up digital development framework. Acting in line with the four core concepts of “Resilience, Reorientation, Renewal, and Repositioning,” the Department of Digital Banking is overall charge of the Bank’s digital development. It is accelerating the development of a bank-wide digital mindset and culture, and is refocusing on the experience of users, in order to achieve a digital transformation, which for the Bank is both a vision and a goal. In addition, BOT continues encouraging employees to think creatively and to patent their ideas. As of the end of 2021, the Bank had obtained 49 invention patents, 287 utility models, and 6 design patents. These numbers are outstanding.

Personnel training : To enable employees to engage in continual learning, while Taiwan was under a nationwide Level 3 COVID-19 alert, the Bank continued to hold training activities which participants attended either virtually or in person while observing social distancing. Then, after COVID-19 transmissions slowed down in Taiwan, BOT actively started up its “Training Program for Outstanding Management Personnel” and its “Training Program for Supervisors” to accelerate the development of senior management and cultivate a new generation of exceptional talents. Also, to coordinate with its digital transformation, the Bank initiated related training courses to strengthen the organization’s competitiveness.

Corporate social responsibility : BOT has long carried out a wide range of community service activities, and continues to include a Youth Painting Division and a Photography Division at the annual Bank of Taiwan Arts Festival, organizes the Bank of Taiwan Awards for Economic and Financial Research, and in 2021 for the first time included a Calligraphy Division at the Bank of Taiwan Arts Festival. These activities demonstrated the tremendous energy that can be generated when the financial and art worlds meld. BOT also held three blood drives, continued its long-standing support for Taiwan’s professional baseball league, collaborated with the Taiwan Catholic Foundation of Alzheimer’s Disease and Related Dementia to help provide for the needs of elderly persons and their family members, supported the nation’s farmers, and received a “Promotion Award Gold Class” for its contributions to the nation’s sports development. By taking concrete action, BOT exercised its influence and served as a force for good in society.

BOT also earned numerous other accolades in 2021. The Bank was recognized by the Financial Supervisory Commission(FSC) as a “Top Bank Provider of Property Trusts for Senior Citizens and Persons with Mental and Physical Disabilities”; won the Joint Credit Information Center’s “Golden Quality Award” and “Golden Security Award”; received Wealth Magazine’s 2021 Best Wealth Management Awards for “Best Wealth Management Team” and “Best Video Marketing”; received a “Best Wealth Management Image Award” at Business Today’s “15th Wealth Management Awards for Bank and Securities Firms”; was elected in the Reader’s Digest Trusted Brands survey as the winner of the Gold Award in the Banking category; and received a “Bronze Corporate Sustainability Report Award” at the 2021 Taiwan Corporate Sustainability Awards.

BOT’s operating results for 2021, business plans for 2022 and strategies for the Bank’s future development are briefly described below.

I. Operating Results for 2021

1. Organizational Change

On 12 November 2021, BOT renamed its Department of Electronic Banking as the Department of Digital Banking, and the BOT InnoLab was transferred from the Department of Planning to the Department of Digital Banking, which is in charge of planning and implementing the Bank’s digital transformation.



BOT Chairman Joseph Jye-Cherng Lyu (center) poses for a group photo with other BOT colleagues during the Joint Credit Information Center's "15th Golden Security, Quality, and Inquiry Awards" ceremony held on 21 Dec. 2021.

2. Results of Implementation of Business Plan and Operating Strategy

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

Major Operation Category \ Year	2021	2020
Deposits	4,185.2	4,065.1
Loans	2,818.0	2,810.5
Guarantees	95.0	91.5
Foreign Exchange (US\$)	359.2	359.8
Precious Metals	130.7	126.0
Government Employees Insurance	23.6	23.6
Trust Business	448.0	430.0
Agency (Insurance Brokerage)	39.3	40.1

3. Budget Implementation

The volume of deposits during the year aggregated to NT\$4.19 trillion, giving a target achievement rate of 118.04%. Loans amounted to NT\$2.82 trillion, for a target achievement rate of 117.12%. Foreign exchange operations undertaken in 2021 totaled US\$359.18 billion, amounting to 112.31% of the target figure, and income after tax reached NT\$15.28 billion, achieving 190.33% of the target.

4. Revenues, Expenditures and Profits

(1) Net interest income for 2021 amounted to NT\$29.64 billion; non-interest income (net) totaled NT\$9.4 billion; bad debt expenses and reserve for guarantees amounted to NT\$260 million; and operating expenses totaled NT\$21.82 billion. Income before tax reached NT\$16.96 billion; and income tax amounted to NT\$1.68 billion, leaving a net income after tax of NT\$15.28 billion; and after factoring out the NT\$9.51 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 2021 real income before tax would come to NT\$26.47 billion, which was NT\$16.99 billion higher than the figure of NT\$9.48 billion called for in BOT's statutory budget.

- (2) Pre-tax Return on Assets (ROA) for 2021 was 0.31%, pre-tax Return on Risk-Weighted Assets (RORWA) was 0.78%; and after factoring out the burden of various measures taken in support of government policy, pre-tax ROA would amount to 0.48%, pre-tax RORWA would amount to 1.22%.
- (3) Pre-tax Return on Equity (ROE) for 2021 was 4.32%; and after factoring out the burden of various measures taken in support of government policy, pre-tax ROE would amount to 6.74%.

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 2022

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 and home loans in order to raise average lending rates and boost the loans to deposits ratio.
- (3) Embark on global markets, work actively to enter into cooperative partnerships with world-leading financial institutions, build a stronger local presence in offshore markets, take advantage of business opportunities connected with offshore Taiwanese firms and business activity in offshore markets, and achieve greater profitability.
- (4) Practice sustainable finance, make corporate social responsibility and sustainable development concepts integral elements of the Bank's culture and operational strategies, and benefit along with society.

- (5) Promote digital transformation, build bank-wide consensus regarding the policy of digitalization and the strategy for achieving it, cultivate the innovative capabilities of multi-disciplinary digital talent, and establish an innovative mindset in all the Bank's various units.
- (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.

2. Business Targets

The following BOT business targets for 2022 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\$4.1 trillion
- (2) Loans: NT\$2.85 trillion
- (3) Foreign Exchange: US\$319.8 billion
- (4) Income Before Tax: NT\$10 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; leverage integrated 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. Support the Trust 2.0 Plan and continue promoting full-function trust services to optimize customer services.

4. Accelerate digital transformation, boost the development of employees' digital capabilities and business exchanges; strengthen data science and create new AI-enabled financial services.
5. Improve risk management mechanisms, gradually establish climate-related risk management mechanisms; strengthen credit management, and strengthen risk assumption capacity.
6. Optimize the information system architecture, improve the cyber security management system, and strengthen the Bank's cyber security governance capabilities.
7. Strengthen legal compliance and improve AML/CFT/CPF mechanisms.
8. Actively promote lines of business related to green finance, fulfill the Bank's corporate social responsibilities, improve corporate governance, and form a culture of sustainability.

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

1. Impact of Market Competition

In reaction to the COVID-19 pandemic, distanced and contactless interactions have become the new normal in our lives, and demand for digital financial services has skyrocketed. Faced with challenges posed by the rise of digital finance, BOT continues to encourage innovative R&D work to build up a bigger body of FinTech patents and accelerate digital transformation in order to strengthen its overall competitiveness.

2. Impact of the Legal Environment

- (1) On 23 September 2021, the FSC amended certain provisions in the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," and BOT coordinated therewith by amending the "Bank of Taiwan Cyber Security Management Rules." Key amendments to these Rules provide as follows: (a) the SEVP who supervises the Department of Cyber Security serves as the BOT Chief Cyber Security Officer and also chairs the Bank's Cyber Security Team; (b) overall cyber security performance is included among the matters that must be addressed in the Bank's annual Statement on Internal Controls; and (c) the Statement on Internal Controls that BOT files each year must be jointly issued by the Chief Cyber Security Officer.
- (2) After the nationwide COVID-19 alert was raised to Level 3 on 19 May 2021, the government launched the COVID Relief Package 4.0 in June and issued Quintuple Stimulus Vouchers in September. BOT supported these government policies by adopting the following measures:
 - a. In 2021 BOT adopted "Anti-Money Laundering Measures Related to the Labor Relief Loan Program" and "Anti-Money Laundering Measures Related to Central Bank Scheme C Loans to Small Business Entities" in order to simplify anti-money laundering procedures, help relief loan applicants obtain such loans as quickly as possible, and mitigate the impact of the pandemic on people's lives.

- b. BOT provided opinions regarding possible amendments to the “Ministry of Economic Affairs Guidelines for Redemption of COVID-19 Quintuple Stimulus Vouchers,” and assisted with review of related publicity materials.
- c. With respect to the Quintuple Stimulus Voucher redemption operations that BOT is handling on behalf of the Ministry of Economic Affairs, in order to provide convenient services to the public, BOT asked the competent authority to: (i) provide a ruling on which parts of these redemption operations are exempted from the requirements of the “Money Laundering Control Act”; (ii) provide a ruling on the extent to which inspection procedures required under the “Money Laundering Control Act” may be simplified through the adoption of a risk-based approach; and (iii) inform all financial institutions involved in Quintuple Stimulus Voucher redemptions of the content of the two aforementioned rulings.

3. Impact of the Overall Business Environment

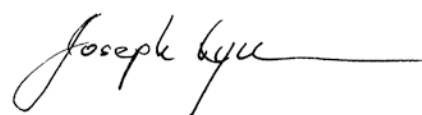
The global economy continues to recover, the US-China trade war has prompted a shifting of orders to Taiwan, our government has actively promoted the Three Major Programs for Investing in Taiwan, projects launched under the Forward-looking Infrastructure Development Program are entering into peak investment periods, and the pandemic has accelerated the reshuffling of global supply chains. These factors have spurred greater numbers of high value-added industries to shift to Taiwan, helped stimulate domestic economic growth, and generated more profit opportunities for banks. However, international political and economic conditions change quickly. Moving forward, BOT would be well advised to pay close attention to a number of factors that could affect global economic activity and financial markets. Such factors include geopolitical conditions, the monetary policies of the world’s major central banks, inflation, COVID-19, and climate change.

V. Credit Ratings

Rating Agency	Items	Rating Date	Assigned Rating		Outlook
			Long-term	Short-term	
Standard & Poor’s		Oct. 2021	AA-	A-1+	Positive
Moody’s Investors Service		Dec. 2021	Aa3	P-1	Positive
Taiwan Ratings Corp.		Oct. 2021	twAAA	twA-1+	Stable

BOT witnessed a number of global political and economic disturbances over the past year, but Bank 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. In 2022, the global economy will continue along a path to stable recovery, which will benefit Taiwan's economy. With all the attention that climate change is attracting throughout the world, BOT will continue using the power of finance to seize upon opportunities for a transition to sustainable development, and to actively face various challenges. By acting upon the corporate vision of "A leading bank with global presence," BOT intends to achieve sustainable development and build a society where everyone enjoys shared prosperity.

Chairman



President





Front Row (left to right):

**Senior Executive Vice President & General Auditor | Lu, Chun-Chen · Senior Executive Vice President | Lin, Li-Ling
Chairman | Joseph Jye-Cherng Lyu · President | Hsu, Chih-Wen · Senior Executive Vice President | Wu, Mu-Ying**

Back Row (left to right):

**Senior Executive Vice President | Ju, Yeung-Rong · Senior Executive Vice President | Ou, Shing-Shiang
Senior Executive Vice President | Yau, Ming-Ren · Senior Executive Vice President | Tai, Shih-Yuan
Senior Executive Vice President & Chief Compliance Officer | Chen, Hui-Ping**

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, the BOT 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 a 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 Taiwan, 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 the 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, 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 has also been 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 has been strongly supporting Taiwan's economic development with sufficient financial function and has played 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 by 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 major 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 programs including "Guide Dog Affinity Card" and "The Lord is My Shepherd Affinity Card." It has also organized "Bank of Taiwan Arts Festival," "Bank of Taiwan Awards for Economic and Financial Research" and various social welfare campaigns aimed at underprivileged groups. Furthermore, BOT has upgraded its CSR to include art, culture and academic research.

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 2021, 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 8.72% and 8.87%, respectively, of the total figure for domestic banks. According to The Banker magazine's Top 1000 World Banks 2021, as published in its July 2021 issue, the BOT ranked 130th in total assets and 172nd in terms of Tier 1 capital in the global banking industry.



BOT Chairman Joseph Jye-Cherng Lyu (center) poses for a group photo with Taiwan Financial Holding Co. President Jan-Lin Wei (4th from right), BankTaiwan Insurance Brokers Co. Chairperson Fan Kang (4th from left), and members of senior management during the InnoLab 2.0 launch ceremony held on 2 Nov. 2021.



Corporate Governance Report

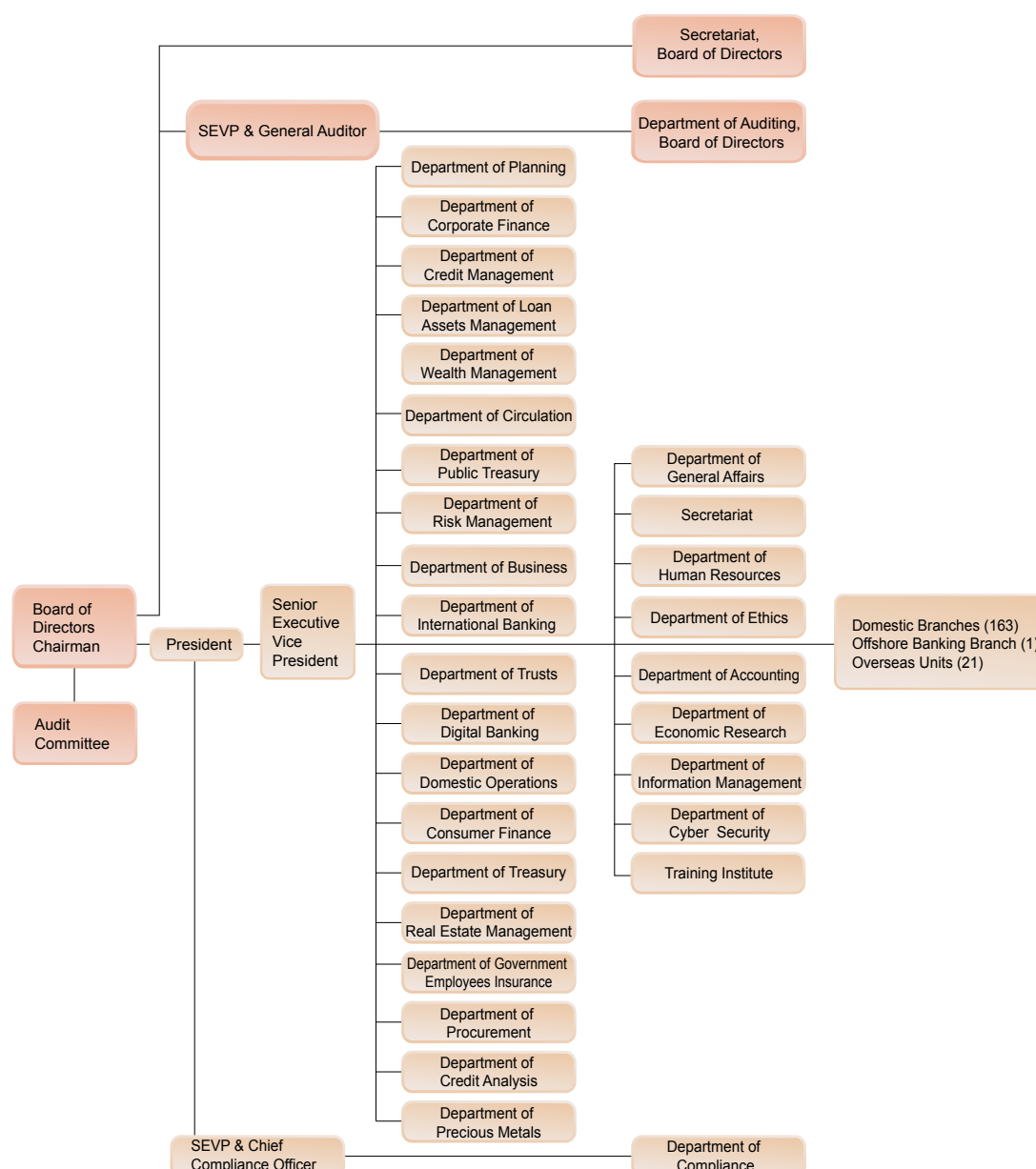
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58	V . Number of Shares in the Same Reinvested Enterprises Held by the Bank and Its Directors, Supervisors, President, Senior Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank,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

Corporate Governance Report

I. Organization

At the end of Feb. 2022, 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).

Organizational 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 and legal affairs.
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 Digital Banking	Responsible for planning, research and development, marketing, integration, supervision, management, examination, data science, UX/UI and FinTech facilitation of the digital 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 "Quarterly Review of the Bank of Taiwan" and a bimonthly internal report.
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, anti-money 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 (a)

Feb. 28, 2022

Title	Name	Gender Age	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the Bank and Other Companies
Chairman	JOSEPH JYE-CHERNG LYU	Male Age: 61~70	Oct. 7, 2021	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, Ministry of Economic Affairs 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, 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 Age: 61~70	Oct. 7, 2021	Nov. 2, 2020	B.A. 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 Chairman of the Board, The Bankers Association of Taiwan Director, Taipei Interbank Money Center, The Bankers Association of the Republic of China

Title	Name	Gender Age	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the Bank and Other Companies
Independent Managing Director	TSAI, MING-FANG	Male Age: 41~50	Oct. 7, 2021	Aug. 3, 2018	Ph.D. in Industrial Economics, National Central University Adjunct Professor, Dept. of International Business, Soochow University Independent Director, BankTaiwan Securities Co., Ltd. Independent Director, First Life Insurance Co., Ltd.	Joint-appointment Professor, Dept. of Industrial Economics & Economics, Tamkang University Adjunct Professor, Graduate Institute of Industrial Economics, National Central 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. Independent Director, Choice Development Inc.
Managing Director	JUAN, CHING-HWA	Male Age: 61~70	Oct. 7, 2021	Aug. 3, 2018	B.A. of Dept. of Law, National Taiwan University B.A. of Dept. of Business Management, 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 Chief Secretary, Ministry of Finance	Political Deputy Minister, Ministry of Finance Director, Taiwan-Hong Kong Economic and Cultural Co-operation Council Director, China Aviation Development Foundation
Managing Director	CHANG, JUIN-JEN	Male Age: 51~60	Oct. 7, 2021	Aug. 3, 2018	Ph.D. in Economics, National Chung-Hsing University Research Fellow, Institute of Economics, Academia Sinica Associate Research Fellow, Institute of Economics, Academia Sinica Joint-appointment Professor, Fu-Jen Catholic University	Research Fellow and Deputy Director, Institute of Economics, Academia Sinica Managing Director, Taiwan Economic Association
Independent Director	CHEN, YEHNING	Male Age: 51~60	Oct. 7, 2021	Oct. 7, 2021	Ph.D. in Management, University of California, Los Angeles, U.S.A. Associate Dean, College of Management, National Taiwan University Chairperson, Dept. of Finance, National Taiwan University Director, Financial Ombudsman Institution Supervisor, Financial Ombudsman Institution Director, Central Deposit Insurance Corporation	Professor, Dept. of Finance, National Taiwan University Member, Audit Committee, Bank of Taiwan Associate Director, Center for the Advancement of the Humanities and Social Sciences, National Taiwan University

Title	Name	Gender Age	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the Bank and Other Companies
Independent Director	LAI, HUNG-NENG	Male Age: 51~60	Oct. 7, 2021	Oct. 7, 2021	Ph.D. in Finance, The London School of Economics and Political Science, UK Independent Director, Land Bank of Taiwan Co., Ltd. Assistant Professor, Dept. of Finance, National Central University Assistant Professor, Dept. of Quantitative Finance & Dept. of Economics, National Tsing Hua University	Associate Professor, Dept. of Finance, National Central University Member, Audit Committee, Bank of Taiwan
Director	CHEN, NAN-KUANG	Male Age: 51~60	Oct. 7, 2021	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 Director, Taiwan Institute of Economic Research
Director	LEE, GUO-SHIN	Male Age: 51~60	Oct. 7, 2021	Oct. 7, 2021	B.A. of Dept. of Accounting, Tamkang University Director, Mega Financial Holding Co., Ltd. Director, Taiwan Cooperative Financial Holding Co., Ltd. Deputy Minister, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) Controller and Director, Department of General Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan)	Deputy Secretary-General, Executive Yuan, R.O.C. (Taiwan) Supervisor, National Defense Industrial Development Foundation
Director	HUANG, SHU-JUAN	Female Age: 51~60	Oct. 7, 2021	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 Committee Member, State-owned Enterprise Commission, Ministry of Economic Affairs, R.O.C.
Director	CHANG, WEN-HSI	Male Age: 51~60	Oct. 7, 2021	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 Age: 51~60	Oct. 7, 2021	Aug. 3, 2018	J.S.D., Washington University in St. Louis U.S.A. Director, School of Continuing Education, Chinese Culture University Dean, College of Law, Chinese Culture University Director, Dept. of Law, Chinese Culture University	Professor, Dept. of Law, Chinese Culture University Chief Senior Counselor/Taiwan Lawyer/ Arbitrator, Washington Group & Associates Commissioner, Central Election Commission Director, Dachang Venture Capital Co., Ltd.

Title	Name	Gender Age	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the Bank and Other Companies
Director	WU, TE-JEN	Male Age: 61~70	Oct. 7, 2021	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	TSAI, NENG-SUNG	Male Age: 41~50	Oct. 7, 2021	Oct. 7, 2021	B.A. of Dept. of Navigation Technology, National Taiwan Ocean University Banking Officer & Deputy Manager, Boai Branch, Bank of Taiwan	Senior Banking Officer & Manager, Gaorong Branch, Bank of Taiwan

Notes: 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 October 6, 2024.

6. All directors are of R.O.C. nationality.

(2) Major Shareholders of the Institutional Shareholders

Feb. 28, 2022

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

(3) Information on Directors and Supervisors (b)

A. Professional Qualifications and Independence Analysis of Directors and Supervisors

Name	Criteria	Professional Qualification and Experience (Note 1)	Independence Circumstance (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
JOSEPH JYE- CHERNG LYU		Master of Management, Kellogg School, Northwestern University, U.S.A. Bachelor of Commerce, Dept. of Money and Banking, National Chengchi University He is currently appointed as Chairman of Taiwan Financial Holding Co., Ltd. and Bank of Taiwan, and previously served as Minister without Portfolio of Executive Yuan, Minister of Ministry of Finance, Board of Director of Central Bank of the Republic of China, Chairman of the Board of Mega International Commercial Bank, President & CEO of Land Bank of Taiwan, Vice Chairman of State-owned Enterprise Commission, Ministry of Economic Affairs, Vice President of Bank of New York, New York Headquarter, Chairman of the Board of The Bankers Association of the Republic of China, Board Director of Taiwan Stock Exchange, Board Director of Taiwan Futures Exchange, Board Director of Joint Credit Information Center, Board Director of Taiwan Academy of Banking and Finance, Distinguished Chair Professor of School of Management, National Sun Yat Sen University, and Adjunct Professor of School of Technology Management, National Tsing Hua University, etc. He is appointed as Chairman of Taiwan Financial Holding Co., Ltd. and the Bank since August 2016.		0

Name	Criteria	Professional Qualification and Experience (Note 1)	Independence Circumstance (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
HSU, CHIH-WEN		B.A. of Dept. of Economics, Soochow University He is currently appointed as President of the Bank, and has worked for the Bank since 1981. Since November 2007 he has held positions at the Hong Kong Branch, the Department of International Banking, and the Department of Corporate Finance, and previously served as Director of Hua Nan Commercial Bank Ltd., and Supervisor of Taiwan Small & Medium Enterprise Counseling Foundation. He is appointed as Managing Director & President of the Bank since November 2020.		0
TSAI, MING-FANG		Ph.D. in Industrial Economics, National Central University He is currently appointed as Joint-appointment Professor of Dept. of Industrial Economics & Economics, Tamkang University, Adjunct Professor of Graduate Institute of Industrial Economics, National Central University and previously served as Independent Director of BankTaiwan Securities Co., Ltd., and Independent Director of First Life Insurance Co., Ltd., etc. He is appointed as Independent Director of Taiwan Financial Holding Co., Ltd., Independent Managing Director of the Bank, and Director of Audit Committee of the Bank.	Mr. Tsai, his spouse, and relatives by blood within the second degree of kinship do not serve as a director, supervisor, or employee of the Bank or any affiliated enterprise, nor do they hold stock in the Bank. Does not serve as a director, supervisor, or employee of any company with which the Bank has a special relationship, and in the past two years has not provided commercial, legal, financial, or accounting services to the Bank or any of its related enterprises.	3 (Taiwan Financial Holding Co., Ltd.; United Renewable Energy Co., Ltd.; Choice Development Inc.)
JUAN, CHING-HWA		B.A. of Dept. of Law, National Taiwan University B.A. of Dept. of Business Management, National Chengchi University He is currently appointed as Political Deputy Minister of Ministry of Finance, and previously served as Administrative Deputy Minister of Ministry of Finance, Director-General, National Treasury Administration, Ministry of Finance, and previously served as Supervisor of BankTaiwan Insurance Brokers Co., Ltd., and Director & Supervisor of Chang Hwa Commercial Bank, Ltd, etc. He is appointed as Managing Director of the Bank since August 2018.		0
CHANG, JUIN-JEN		Ph.D. in Economics, National Chung-Hsing University He is currently appointed as Research Fellow and Deputy Director of Institute of Economics, Academia Sinica. He has conducted serious analytical research in the field of economics, for which he has received awards from the Academia Sinica and the National Science Council, and has held such positions as professor or associate professor at National Taiwan University, National Taipei University, National Sun Yat-sen University, National Central University, Fu Jen Catholic University, Soochow University, and Feng Chia University. He has served as a Managing Director of the Bank since August 2018.		0

Name \ Criteria	Professional Qualification and Experience (Note 1)	Independence Circumstance (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
CHEN, YEHNING	Ph.D. in Management, University of California, Los Angeles, U.S.A. He is currently appointed as Professor of Dept. of Finance, National Taiwan University and Associate Director of Center for the Advancement of the Humanities and Social Sciences, National Taiwan University, and previously served as Associate Dean of College of Management, National Taiwan University, Chairperson of Dept. of Finance, National Taiwan University, Director & Supervisor of Financial Ombudsman Institution, and Director of Central Deposit Insurance Corporation, etc. He is appointed as Independent Director of the Bank and Member of Audit Committee of the Bank since October 2021.	Mr. Chen, his spouse, and relatives by blood within the second degree of kinship do not serve as a director, supervisor, or employee of the Bank or any affiliated enterprise, nor do they hold stock in the Bank. Does not serve as a director, supervisor, or employee of any company with which the Bank has a special relationship, and in the past two years has not provided commercial, legal, financial, or accounting services to the Bank or any of its related enterprises.	0
LAI, HUNG-NENG	Ph.D. in Finance, The London School of Economics and Political Science, UK He is currently appointed as Associate Professor of Dept. of Finance, National Central University, and previously served as Assistant Professor of Dept. of Finance, National Central University, Assistant Professor of Dept. of Quantitative Finance & Dept. of Economics, National Tsing Hua University, and Independent Director of Land Bank of Taiwan Co., Ltd., etc. He is appointed as Independent Director of the Bank and Member of Audit Committee of the Bank since October 2021.	Mr. Lai, his spouse, and relatives by blood within the second degree of kinship do not serve as a director, supervisor, or employee of the Bank or any affiliated enterprise, nor do they hold stock in the Bank. Does not serve as a director, supervisor, or employee of any company with which the Bank has a special relationship, and in the past two years has not provided commercial, legal, financial, or accounting services to the Bank or any of its related enterprises.	0
CHEN, NAN-KUANG	Ph.D. in Economics, University of Minnesota, U.S.A. He is currently appointed as Deputy Governor of Central Bank of the Republic of China (Taiwan), and previously served as Professor & Associate Professor of Dept. of Economics, National Taiwan University, etc. He is appointed as Director of the Bank since March 2018.		0
LEE, GUO-SHIN	B.A. of Dept. of Accounting, Tamkang University He is currently appointed as Deputy Secretary-General of Executive Yuan, and previously served as Deputy Minister of Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), Controller and Director of Department of General Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), Director of Mega Financial Holding Co., Ltd., and Director of Taiwan Cooperative Financial Holding Co., Ltd., etc. He is appointed as Director of the Bank since October 2021.		0

Name	Criteria	Professional Qualification and Experience (Note 1)	Independence Circumstance (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
HUANG, SHU-JUAN		M.A. in Graduate Institute of National Development, National Taiwan University She is currently appointed as Director of Department of Special Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), and previously served as Chief Secretary of Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), Director of Department of Planning, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), Supervisor of Taiwan Tobacco and Liquor Corporation, etc. She is appointed as Director of the Bank since February 2020.		0
CHANG, WEN-HSI		Ph.D. in Information Management, Tamkang University He is currently appointed as Director-General of Fiscal Information Agency, Ministry of Finance, and previously served as Director of Dept. of Information Management, Ministry of Labor, Director of Information Technology Division, National Archives Administration, National Development Council, etc. He is appointed as Director of the Bank since May 2020.		0
HSU, HUI-FENG		J.S.D., Washington University in St. Louis U.S.A. He is currently appointed as Professor of Dept. of Law, Chinese Culture University, and Chief Senior Counselor/Taiwan Lawyer/Arbitrator of Washington Group & Associates, and previously served as Director of School of Continuing Education, Chinese Culture University, Dean of College of Law, Chinese Culture University, and Director of Dept. of Law, Chinese Culture University, etc. He is appointed as Director of the Bank since August 2018.		0
WU, TE-JEN		Master of Finance, Dayeh University He is currently appointed as Assistant Vice President of Employee Benefits Committee of the Bank, and has worked for the Bank since 1985, with the banking business experiences for over 36 years. He is appointed as Director of the Bank since August 2018.		0
TSAI, NENG-SUNG		B.A. of Dept. of Navigation Technology, National Taiwan Ocean University He is currently appointed as Senior Banking Officer & Manager of Gaorong Branch of the Bank, and has worked for the Bank since 1999, with the banking business experiences for over 22 years. He is appointed as Director of the Bank since October 2021.		0

Notes: 1. Not a person of any condition defined in Article 30 of the Company Act.

2. For independent directors, a description of how they meet the independence requirement must be provided.

B. Diversity and independence of the Board of Directors

(a) Board diversity:

The Bank's corporate charter requires that the BOT Board of Directors shall consist of 15 members (including 3 independent directors and 3 labor directors), who shall be appointed by the Taiwan Financial Holding Co., shall have legal capacity to act, and shall meet the qualification criteria adopted by the competent authority.

The "Bank of Taiwan Corporate Governance Best-Practice Principles" set out certain abilities that the Board of Directors as a whole must possess. The members of the BOT Board of Directors have

many different types of background and experience, including business management, innovation, economic matters, finance, accounting, legal affairs, and information & communications. They also have the knowledge, skill, and experience necessary to carry out their duties.

BOT directors attend continuing professional education in such fields as corporate governance, internal control and internal auditing, business innovation, anti-money laundering and counter terrorism financing, fair treatment of customers principles, digital transformation, and recent legislative action. The purposes are to enable the Board of Directors to operate more efficiently and improve its corporate governance capabilities, and to strengthen the board's functions.

(b) Independence of the Board of Directors:

Acting in compliance with its corporate charter, the Bank appoints independent directors, who must be no fewer than three in number and no fewer than one-fifth of the total number of directors. BOT's three independent directors all maintain independence in the performance of their duties, they have no direct or indirect conflicts of interest with the Bank, and the descriptions set out in Article 3, paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" neither applied to them during the two years before being elected nor apply to them during their terms of office. None of the three independent directors has served more than three consecutive terms, nor does any of them serve simultaneously as a director (including independent director) or supervisor at more than four TWSE- or TPEx-listed companies.

No member of the BOT Board of Directors (including independent directors) is the spouse of, or related within the second degree of kinship to, another director.

2. Top Management

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Title	Name	Gender	Date Effective	Education	Other Position
President	HSU, CHIH-WEN	Male	Nov. 19, 2020	Dept. of Economics, Soochow University	Director, Taiwan Financial Holding Co., Ltd. Managing Director, Bank of Taiwan 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 Director, Taipei Forex Inc. Chairman of the Board, The Bankers Association of Taiwan
Senior Executive Vice President	LIN, LI-LING	Female	Nov. 30, 2018	Dept. of Banking, National Chengchi University	Director, United Taiwan Bank S.A. Executive Secretary, The Bankers Association of the Republic of China Member, Taipei Foreign Exchange Market Development Foundation Commission on Research and Development

Title	Name	Gender	Date Effective	Education	Other Position
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.
Senior Executive Vice President	WU, MU-YING	Female	June 1, 2021	Dept. of Business Administration, National Chengchi University	Chief Risk Officer, Taiwan Financial Holding Co., Ltd. Director, Taiwan Urban Regeneration & Financial Services Co., Ltd. Member, Risk Management Group, Financial Holding Business Committee, The Bankers Association of the Republic of China
Senior Executive Vice President	YAU, MING-REN	Male	June 1, 2021	Dept. of Economics, Soochow University	Director, Central Pictures Co., Ltd. Director, First Financial Holdings Co., Ltd.
Senior Executive Vice President	OU, SHING-SHIANG	Male	Nov. 22, 2021	Ph.D. in Dept. of Economics, Georgia State University	Senior Executive Vice President, Taiwan Financial Holding Co., Ltd. Executive Secretary, Financial Research and Training Development Fund Management Committee, The Bankers Association of the Republic of China Chairman, Research and Development Committee, The Bankers Association of the Republic of China Director, Hua Nan Commercial Bank Co., Ltd. Director, Taiwan Financial Asset Service Co., Ltd.
Senior Executive Vice President (Concurrently GM of Department of Human Resources)	TAI, SHIH-YUAN	Male	Nov. 22, 2021	Dept. of Mechanical Engineering, National Taiwan University of Science and Technology	Group Member, Internal Management Committee Personnel Benefits, The Bankers Association of the Republic of China Director, Taiwan Fire & Marine Insurance Co., Ltd.
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 Deputy Chairman, Legal Affairs and Disciplines Committee, The Trust Association of the Republic of China Deputy Chairman, Financial Regulations and Disciplinary Committee, The Bankers Association of The Republic of China Chief of Staff, Taipei Financial Integrity and Legal Compliance Association
Senior Executive Vice President & General Auditor	LU, CHUN-CHEN	Female	Aug. 9, 2021	Master for Eminent Public Administrators, National Chengchi University	Member, Internal Audit Committee, The Bankers Association of the Republic of China

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

2. 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.

3. Remuneration of Directors, Supervisors, President, and Senior Executive Vice Presidents for 2021

(1) Remuneration of Directors

Unit: NT\$1,000

Title	Name	Remuneration						Total Remuneration (A+B+C+D) and the Ratio of Total Remuneration and Net Income After Tax (%)		Relevant Remuneration Received by Directors Who are Also Employees						Total Compensation (A+B+C+D+E+F+G) and the Ratio of Total Compensation and Net Income After Tax (%)		Reinvested Enterprises other than the Bank's Subsidiary or the Parent Company
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)				Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)				
		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	Cash	Stock	
Chairman	JOSEPH JYE-CHERNG LYU																	
Managing Director	HSU, CHIH-WEN																	
Managing Director	JUAN, CHING-HWA																	
Managing Director	CHANG, JUIN-JEN																	
Director	HUANG, SHU-JUAN																	
Director	HSU, HUI-FENG	3,970	3,970	None	None	1,736	1,736	5,706 (0.04%)	5,706 (0.04%)	7,205	7,205	463	463	None	13,374 (0.09%)	13,374 (0.09%)	519	
Director	CHANG, WEN-HSI																	
Director	CHEN, NAN-KUANG																	
Director	LEE, GUO-SHIN																	
Director	TSAI, NENG-SUNG																	
Director	LIN, CHENG-TAN																	
Director	WU, TE-JEN																	
Independent Managing Director	TSAI, MING-FANG																	
Independent Director	CHEN, MING-CHIN																	
Independent Director	CHANG, CHUNG-YUEH	None	None	None	None	720	720	720 (0.005%)	720 (0.005%)	None	None	None	None	None	720 (0.005%)	720 (0.005%)	360	
Independent Director	CHEN, YEHNING																	
Independent Director	LAI, HUNG-NENG																	
1. 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." 2. In addition to the disclosures made above, mention any other compensation that was received by company directors during the most recent fiscal year for services rendered (e.g. services rendered, as an advisor with non-employee status, to the parent company, to any company listed in the financial reports, or to any BOT investee enterprise): None.																		

Notes: 1. Chairman Joseph Jye-Cherng Lyu was not provided with an official residence; the monthly expense for the chauffeur was NT\$44,127.

2. President Hsu, Chih-Wen was not provided with residences. His 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\$44,127 per month.

Bracket	Name of Directors			
	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	HSU, CHIH-WEN JUAN, CHING-HWA CHANG, JUIN-JEN HUANG, SHU-JUAN HSU, HUI-FENG CHANG, WEN-HSI CHEN, NAN-KUANG LEE, GUO-SHIN TSAI, NENG-SUNG LIN, CHENG-TAN WU, TE-JEN TSAI, MING-FANG CHEN, MING-CHIN CHANG, CHUNG-YUEH CHEN, YEHNING LAI, HUNG-NENG	HSU, CHIH-WEN JUAN, CHING-HWA CHANG, JUIN-JEN HUANG, SHU-JUAN HSU, HUI-FENG CHANG, WEN-HSI CHEN, NAN-KUANG LEE, GUO-SHIN TSAI, NENG-SUNG LIN, CHENG-TAN WU, TE-JEN TSAI, MING-FANG CHEN, MING-CHIN CHANG, CHUNG-YUEH CHEN, YEHNING LAI, HUNG-NENG	JUAN, CHING-HWA CHANG, JUIN-JEN HUANG, SHU-JUAN HSU, HUI-FENG CHANG, WEN-HSI CHEN, NAN-KUANG LEE, GUO-SHIN TSAI, NENG-SUNG TSAI, MING-FANG CHEN, MING-CHIN CHANG, CHUNG-YUEH CHEN, YEHNING LAI, HUNG-NENG	JUAN, CHING-HWA CHANG, JUIN-JEN HUANG, SHU-JUAN HSU, HUI-FENG CHANG, WEN-HSI CHEN, NAN-KUANG LEE, GUO-SHIN TSAI, NENG-SUNG TSAI, MING-FANG CHEN, MING-CHIN CHANG, CHUNG-YUEH CHEN, YEHNING LAI, HUNG-NENG
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 HSU, CHIH-WEN	JOSEPH JYE-CHERNG LYU HSU, CHIH-WEN
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)	6,426	6,426	14,094	14,973

(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)				Total Compensation (A+B+C+D) and the Ratio of Total Compensation and Net Income After Tax (%)		Reinvested Enterprises other than the Bank's Subsidiary or the Parent Company
		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	
President	HSU, CHIH-WEN	12,209	12,209	1,224	1,224	7,520	7,520	None		20,953 (0.14%)	20,953 (0.14%)	3,328		
Senior Executive Vice President	KANG, FAN													
Senior Executive Vice President	LIN, LI-LING													
Senior Executive Vice President	JU, YEUNG-RONG													
Senior Executive Vice President	PAN, RONG-YAW													
Senior Executive Vice President	KANG, CHENG-CHUAN													
Senior Executive Vice President	OU, SHING-SHIANG													
Senior Executive Vice President	TAI, SHIH-YUAN													
Senior Executive Vice President	YAU, MING-REN													
Senior Executive Vice President	WU, MU-YING													
SEVP & Chief Compliance Officer	CHEN, HUI-PING													
SEVP & General Auditor	LEE, LI													
Acting SEVP & General Auditor	LU, CHUN-CHEN													
SEVP & General Auditor	LU, CHUN-CHEN													

Note: President Hsu, Chih-Wen was not provided with residences. His 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\$44,127 per month.

Bracket	Name of President and Senior Executive Vice Presidents	
	The Bank	The Parent Company and Reinvested Enterprises
Under NT\$1,000,000	KANG, CHENG-CHUAN OU, SHING-SHIANG TAI, SHIH-YUAN CHEN, HUI-PING	KANG, CHENG-CHUAN OU, SHING-SHIANG TAI, SHIH-YUAN
NT\$1,000,000 ~ NT\$2,000,000	KANG, FAN YAU, MING-REN WU, MU-YING LEE, LI LU, CHUN-CHEN	KANG, FAN YAU, MING-REN WU, MU-YING LEE, LI LU, CHUN-CHEN
NT\$2,000,000 ~ NT\$3,500,000	LIN, LI-LING JU, YEUNG-RONG PAN, RONG-YAW	LIN, LI-LING JU, YEUNG-RONG PAN, RONG-YAW CHEN, HUI-PING
NT\$3,500,000 ~ NT\$5,000,000	HSU, CHIH-WEN	HSU, CHIH-WEN
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)	20,953	24,281

III. Implementation of Corporate Governance

1. Board of Directors

A total of 14 meetings (A) of the Board of Directors were held in 2021. 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	14	0	100	
Managing Director	HSU, CHIH-WEN	13	1	93	
Independent Managing Director	TSAI, MING-FANG	14	0	100	
Managing Director	JUAN, CHING-HWA	13	1	93	
Managing Director	CHANG, JUIN-JEN	14	0	100	
Independent Director	CHEN, YEHPING	3	0	100	Assumed office on Oct. 7, 2021
Independent Director	LAI, HUNG-NENG	3	0	100	Assumed office on Oct. 7, 2021
Independent Director	CHEN, MING-CHIN	10	1	91	Relieved on Oct. 7, 2021
Independent Director	CHANG, CHUNG-YUEH	11	0	100	Relieved on Oct. 7, 2021
Director	CHEN, NAN-KUANG	12	2	86	
Director	LEE, GUO-SHIN	3	0	100	Assumed office on Oct. 7, 2021
Director	HUANG, SHU-JUAN	11	3	79	
Director	CHANG, WEN-HSI	13	1	93	
Director	HSU, HUI-FENG	14	0	100	
Labor Director	WU, TE-JEN	14	0	100	
Labor Director	TSAI, NENG-SUNG	3	0	100	Assumed office on Oct. 7, 2021
Labor Director	LIN, CHENG-TAN	11	0	100	Relieved on Oct. 7, 2021

Other mentionable items:

- 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:
 - Not applicable as the Bank has established an audit committee.
 - None.
- 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:
 - With respect to a proposal at the 24th meeting of the 6th Board of Directors on 26 February 2021 to waive non-compete restrictions against Managing Director Chih-Wen Hsu and two other persons: Except for Managing Director Chih-Wen Hsu, who recused himself as an interested party, the other attending managing directors agreed to pass the proposal.
 - With respect to the proposal to extend credit to the Pacific Electric Wire & Cable Co. at the 144th meeting of the 6th Board of Managing Directors on 25 June 2021: Except for Managing Director Ching-Hwa Juan, who recused himself because as Political Deputy Minister of the Ministry of Finance the borrower was under his supervision, the other attending managing directors agreed to pass the proposal.
 - With respect to the proposal to extend credit to the Taiwan Tobacco and Liquor Corporation at the 3rd meeting of the 7th Board of Managing Directors on 15 October 2021: Except for Managing Director Ching-Hwa Juan, who recused himself because as Political Deputy Minister of the Ministry of Finance the borrower was under his supervision, the other attending managing directors agreed to pass the proposal.
 - With respect to a proposal at the 4th meeting of the 7th Board of Managing Directors on 21 October 2021 to confer awards upon a recommended list of persons at the rank of unit supervisor or higher: Except for Managing Director Chih-Wen Hsu, who recused himself as an interested party, the other attending managing directors agreed to pass the proposal.
 - With respect to a proposal at the 2nd meeting of the 7th Board of Directors on 5 November 2021 to waive non-compete restrictions against independent director Ming-Fang Tsai and director Hui-Feng Hsu: Except for independent director Ming-Fang Tsai and director Hui-Feng Hsu, who recused themselves as interested parties, the other attending managing directors agreed to pass the proposal.
 - With respect to a proposal at the 2nd meeting of the 7th Board of Directors on 5 November 2021 to discuss the "2021 Risk Assessment Report for Audited Units" and the "2022 Audit Plan": Except for Managing Director Chih-Wen Hsu, labor director Te-Jen Wu, and labor director Neng-Sung Tsai — who recused themselves due to corporate governance concerns — the other attending managing directors agreed to pass the proposal.
 - With respect to a proposal at the 2nd meeting of the 7th Board of Directors on 5 November 2021 to discuss the Bank's 2022 internal audit work inspection plan (securities firm business): Except for Managing Director Chih-Wen Hsu, labor director Te-Jen Wu, and labor director Neng-Sung Tsai — who recused themselves due to corporate governance concerns — the other attending managing directors agreed to pass the proposal.

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 9 Audit Committee meetings (A) were held in 2021. 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	9	0	100	
Independent Director	CHEN, YEHNING	1	0	100	Assumed office on Oct. 7, 2021
Independent Director	LAI, HUNG-NENG	1	0	100	Assumed office on Oct. 7, 2021
Independent Director	CHEN, MING-CHIN	8	0	100	Relieved on Oct. 7, 2021
Independent Director	CHANG, CHUNG-YUEH	8	0	100	Relieved on Oct. 7, 2021

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 43 to 45 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 2020; (b) Internal Control Statement in 2020; (c) a report on auditing work for the first half of 2021; and (d) auditing work plan for 2022.
- (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 2020; (b) financial reports of 2020; (c) the financial report for the first quarter of 2021; (d) the financial report for the second quarter of 2021; and (e) the financial report for the third quarter of 2021.
- (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 9 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”

Matters Evaluated	Implementation Status		
	Y	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?	Y		(1) 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.
(2) Does the Bank know the identities of the main controlling shareholders, and of the ultimate controlling shareholder?	Y		(2) The Bank is a subsidiary of the state-owned Taiwan Financial Holding Co., Ltd. (whose sole owner is the Ministry of Finance).
(3) Has the Bank established a risk management mechanism and “firewall” between the Bank and its affiliates? Is it implementing them?	Y		(3) 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) Has the Board of Directors adopted a diversity policy and specific management goals?	Y		(1) The members of the BOT Board of Directors are appointed by its parent company, Taiwan Financial Holding Co., which selects appointees from among persons who meet the qualification criteria set out in the “Directions for Appointment by the Ministry of Finance of Responsible Persons, Managerial Officers, Directors, and Supervisors at Public and Private Enterprises” and the “Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks.” The “Bank of Taiwan Corporate Governance Best-Practice Principles” expressly set out the abilities that the Board of Directors as a whole must possess, and the responsibilities borne by the Board of Directors.
(2) In addition to the Remuneration Committee and the Audit Committee, is the Bank willing to establish other function-specific committees?		Y	(2) 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.
(3) 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?	Y		(3) The Bank is not listed on either the TWSE or the TPEX. Director performance evaluations and their remuneration are handled in accordance with the “Directions for Appointment by the Ministry of Finance of Responsible Persons, Managerial Officers, Directors, and Supervisors at Public and Private Enterprises.” BOT arranges for its directors to prepare self-assessments of their performance within two months of the end of each accounting year. The self-assessments, which are submitted to the parent company for secondary review, address such matters as: (a) number of directors meetings attended; (b) participation in important discussions at board meetings and other related meetings; (c) the degree of their participation in and contribution to management of the institution (e.g. whether they have put forward concrete suggestions regarding mid- and long-term business strategies, operational objectives, annual plans, annual budgets, management performance, risk management, legal compliance, internal controls, and internal audit systems); and (d) evidence of other instances of outstanding performance. The results of director performance evaluations serve as important reference for the parent company when it decides whether to renew director appointments.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
(4) Does the Bank carry out regular evaluations of CPA independence?	V		(4) The Bank, acting in accordance with the Government Procurement Act and related legislation, retained KPMG Certified Public Accountants to conduct the 2021 audit. An assessment was carried out regarding the independence of two CPAs who conducted the audit — Lee, Feng-Hui and Wu, Lin — and no problems were found. The results of their audit were reported on February 26, 2021 to the 24th meeting of the 6th Board of Directors.
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?	V		1. 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. The chief corporate governance officer is Chen, Han-Kuo, Vice President and Division Manager of Legal Affairs Center, Dept. of Planning. Mr. Chen was replaced as chief corporate governance officer on March 18, 2022 by Li, Ming-Hua, who serves concurrently in this position along with his role as Secretary-General of the Secretariat. 2. 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		1. 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. 2. The BOT website has special areas for corporate governance and sustainable development, provides contact information for the Bank's spokesperson and a contact window for stakeholders, and discloses the BOT Sustainability Report; 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."

Matters Evaluated	Implementation Status		
	Y	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)?	V		1. Employee rights, employee well-being: 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: (1) Taiwan Financial Holding Co. (100% owned by the Ministry of Finance) is BOT's sole shareholder. BOT periodically provides shareholders with its latest financial information, reports its business performance, and maintains open channels of communication. (2) The BOT Compliance Department accepts whistleblower complaints and acts as the staff unit for the Whistleblower Complaint Review Committee. The Bank has a whistleblowing mailbox, a whistleblowing hotline, a whistleblowing fax number, and a whistleblowing email address, and has established a whistleblower protection system that ensures the confidentiality of whistleblower identity, protects whistleblowers' employment rights, and provides for recusal by persons with conflicts of interest. (3) 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. 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. Director attendance at board meetings, and attendance by supervisors as non-voting participants: BOT directors attend meetings of the Board of Directors (and managing directors meetings) in accordance with the provisions of the Bank's corporate charter, the "Rules of Order for Meetings of the Board of Directors of the Bank of Taiwan," and the "Bank of Taiwan Rules Governing the Scope of Powers of Independent Directors." Information on meeting attendance is reported each year to the Ministry of Finance, and serves as reference for decisions on whether to renew director appointments. 5. 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 Committee, internal criteria for capital adequacy management, criteria for credit risk management, criteria for market risk management, criteria for operational risk management, criteria for national risk quota management, criteria for liquidity risk management, regulations for the disclosure of risk management information, and regulations governing risk evaluation and management for anti-money laundering and countering the financing of terrorism.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
			6. The implementation of customer relations policies: (1) To improve service quality, the BOT Customer Service Center remains in operation round-the-clock and 365 days a year. Communicating with customers online, the Center quickly responds to questions and solves problems. (2) To better implement the Fair Treatment of Customers (FTC) Principles, the Bank holds quarterly meetings of the BOT Task Force for Fair Treatment of Consumers, the members of which are the supervisors of the Department of Domestic Operations, the Department of Wealth Management, the Department of Compliance, and 16 other head office units. The Task Force members report on FTC performance in their respective units. Matters addressed at the Task Force meetings include the adoption of internal rules, the handling of consumer disputes, the adoption of measures or systems designed to achieve innovation or improvements, and the conduct of awareness and training programs. The Department of Compliance then summarizes the meeting proceedings and reports to the Board of Directors. (3) When carrying out corporate credit operations, BOT has to consider whether borrowers properly discharge their obligations in such areas as environmental protection, ethical business practices, and social responsibility, and for each credit transaction must fill out the "Checklist for Performance by Bank of Taiwan Corporate Credit Customer in Fulfilling its Corporate Social Responsibilities." (4) To help customers overcome business difficulties caused by the COVID-19 pandemic, and to align with the government's principles of "leniency, quickness, and simplicity" in processing applications for COVID relief loans, the Bank adopted a set of simplified procedures for handling relief and stimulus loans to facilitate faster loan application reviews and comply with the government's call for such loans to be "timely and in sufficient amounts." 7. Arrangement by BOT of liability insurance for directors and supervisors: The Bank does not currently purchase liability insurance policies for its directors; also, the Bank has an Audit Committee rather than supervisors. 8. Donations to political parties, interested parties, and public interest groups: (1) The Bank has not made any donations to political parties or interested parties. (2) Donations by the Bank to public interest groups: a. Together with the Taiwan Financial Holding Co., the Bank made a joint donation to the Christian Mountain Children's Home to fund installation of a sound control system at the Home's activity center. b. The Bank made a donation to the Happyworks Workshop to fund the purchase of special care equipment to be installed at a Happyworks "music village" daycare facility for persons with disabilities in Bade District, Taoyuan City.

4. Information on Members of the Remuneration Committee and Nominations Committee, and Their Operations

The Bank has not established a remuneration committee or a nominations committee.

5. Sustainable Development Efforts and Deviations from “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”

Focal points	Implementation Status		
	Y	N	Summary Description
1. Has the Bank established a governance framework for promotion of sustainable development? Has it established a unit that is tasked (whether exclusively or otherwise) with promoting sustainable development? Are sustainability matters handled by a member of senior management who acts on the authority and under the oversight of the Board of Directors?	V		1. In 2020 the Bank established a Committee for Corporate Sustainability, which is chaired by the Bank's Chairman and co-chaired by the Presidents of the Taiwan Financial Holding Co. and the Bank of Taiwan. The Bank's various SEVPs as well as its General Auditor, Chief Compliance Officer, Chief Corporate Governance Officer, and the heads of the six administrative task forces of the Committee for Corporate Sustainability are ex officio members of the Committee, while the supervisors of several head office units are also members. The Committee is in overall charge of sustainability policies and measures, and the direction thereof. 2. A number of executive subcommittees have been established under the Committee, such as those for responsible finance, environmental sustainability, social engagement, corporate governance, care of employees, and customer rights. The Bank will incorporate sustainable development and social responsibility into its operational strategies for its core financial businesses, and relevant rules have already been adopted by the Board of Managing Directors. Each subcommittee must formulate plans to address related proposals, instructions from Committee members, and subcommittee duties, and must submit these plans to the Committee for deliberations; the chair of each subcommittee must appoint a staff unit to take responsibility for: (a) handling liaison duties; (b) coordinating, and promoting plans; (c) exercising management and control over implementation results; and (d) reporting implementation results to the Committee. 3. The Committee met twice in 2021, and agenda items included a review of the 2020 Sustainability Report, setting of a timetable for the Bank's signing on to the Equator Principles, the feasibility of the implementation plan for an ESG advocacy platform, and the Bank's 2021 ESG implementation report. In addition, the Bank set up a special sustainable development section on its website to share information on the Bank's ESG actions and establish yet another channel for communication with stakeholders. 4. In addition to reporting each year to the Board of Directors or the board of managing directors on accomplishments achieved through pursuit of sustainable development, the Bank also continues to incorporate CSR and sustainability concepts into BOT's corporate culture and its business strategies in order to create a valuable business that yields an “everyone wins” situation for customers, the Bank, employees, and society, and to build a society with prosperity for all.

Focal points	Implementation Status		
	Y	N	Summary Description
2. 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?	Y		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.
3. Environmental Issue			
(1) Has the Bank established an appropriate environmental management system that is suited to the characteristics of the banking industry?	Y		(1) The Bank has adopted a set of bank property sanitation rules, and has entered into a sanitation services agreement with a sanitation firm to ensure an attractive and clean environment.
(2) Does the Bank make efforts to enhance the efficiency of energy utilization, and use recyclable materials with a low environmental burden?	Y		(2) a. To coordinate with the Ministry of Finance's "Program to Promote Green Procurement," when making any purchase of goods the Bank puts top priority on buying items that have been publicly designated as eco-products, and otherwise acts in compliance with the "Government Procurement Act" and the "Resource Recycling Act" to generate maximum benefit through its green procurements. Designated eco-products accounted for 95.2% of all goods procured by the Bank in 2021, which was higher than the annual target of 95%. b. Acting in accordance with the government's General Plan for National Energy Conservation, the Bank has replaced old lighting fixtures, air conditioning and cooling equipment, elevators, and other energy-inefficient equipment. The Bank also improved its power use management, and at meetings of the task force for energy conservation and carbon reduction it reviewed the success of its energy conservation measures.
(3) Does the Bank evaluate the impact of climate change upon its current and future potential risks and opportunities? Has it adopted related response measures?	Y		(3) a. To gradually address climate change risks in its risk management framework the Bank, acting in line with the Recommendations of the Task Force on Climate-related Financial Disclosures (the TCFD Recommendations), carried out preliminary risk recognition and risk impact assessment exercises with respect to physical risks and transition risks, and from the second quarter of 2021 the Bank expanded its quarterly risk monitoring reports by adding a section focusing on climate change risks. Once each quarter, the results of a climate change risk assessment and the related response measures are reported to the Risk Management Committee and the Board of Directors. b. To strengthen its resilience to climate change risks and achieve its sustainability targets, in May 2021 the Board of Directors approved a proposal to include emerging risks among the items to receive attention in the Bank's risk management work.

Focal points	Implementation Status											
	Y	N	Summary Description									
(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 reduction of greenhouse gas emissions, reduction of water consumption, and management of other types of waste?	√		(4) a. Greenhouse gas emissions: <table><tr><th>Type of energy source</th><th>2020</th><th>2021</th></tr><tr><td>Scope 1 (kgCO2e)</td><td>855,809</td><td>786,907</td></tr><tr><td>Scope 2 (kgCO2e)</td><td>21,579,372</td><td>20,550,283</td></tr></table> Note: The main source of scope 1 emissions is primarily the company itself (company vehicle fuel consumption). Carbon emission factors ("CO2e factors") are taken from the National Greenhouse Gas Registry v. 6.0.4 released by the Environmental Protection Administration on 27 June 2019. The main source of scope 2 emissions is primarily the consumption of purchased electricity, and the electricity emission factor here is based on the electricity emission factor of 0.502 kgCO2e/kwh as announced on 27 Sept. 2021 by the Ministry of Economic Affairs Bureau of Energy. b. Water consumption: The Bank used 351.67 million liters of water in 2020, and 310.63 million liters of water in 2021. c. Total weight of waste: Ordinary waste generated at the Bank's headquarters building is hauled away by a contracted waste handling firm. The total weight was 108 tonnes in 2020 and 102 tonnes in 2021. d. The Bank bases its energy conservation efforts on the "Program for Management of Energy Use Efficiency at Government Agencies and Schools" and has adopted a set of "Company Vehicle Management Guidelines" to improve vehicle dispatching, raise fuel efficiency, and reduce greenhouse gas emissions. When replacing old plumbing fixtures, the Bank purchases fixtures bearing the Water Efficiency Label if at all possible, and conducts water conservation awareness activities to raise employee awareness. The Bank contracts with a waste handling firm to haul away ordinary business waste, and the contract requires the service provider to haul and handle the waste in compliance with current environmental protection standards.	Type of energy source	2020	2021	Scope 1 (kgCO2e)	855,809	786,907	Scope 2 (kgCO2e)	21,579,372	20,550,283
Type of energy source	2020	2021										
Scope 1 (kgCO2e)	855,809	786,907										
Scope 2 (kgCO2e)	21,579,372	20,550,283										
4. Community Issue												
(1) Has the Bank adopted policies and procedures in accordance with applicable legislation and international human rights conventions?	√		(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.									

Focal points	Implementation Status		
	Y	N	Summary Description
(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?	✓		(2) The rights and interests of the Bank's employees are handled in accordance with the provisions of the Labor Standards Act, other labor legislation, and regulations issued by the competent authorities. There are good systems in place for dealing with such matters as employee transfers, assessments, benefits, and retirement care. 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?	✓		(3) The Bank, acting in accordance with the provisions of the "Occupational Safety and Health Act," has adopted an "Occupational Safety and Health Management Program and Self-Inspection Program" and the "BOT Best Practice Principles for Occupational Safety and Health," has appointed occupational safety and health administrators and first-aid staff in its various units, and provides occupational health and safety education and training to both newly hired and existing personnel to ensure the safety and health of all employees.
(4) Has the Bank established a career skills development program for its employees?	✓		(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 or clients' interests? Has it established complaint procedures?	✓		(5) a. To regulate its advertising, business solicitation, and sales promotion activities, and to safeguard the interests of financial consumers, the Bank has adopted a set of "Management Instructions for Engaging in Advertising, Business Solicitation, and Sales Promotion Activities" on the basis of the "Regulations Governing the Advertising, Solicitation, and Sales Promotion Activities of Financial Services Enterprises." b. 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." c. The Bank has adopted the "Operational Guidelines for the Handling of Customer Complaints and Disputes" and set up a Customer Complaint Management System. By assembling information on the handling of customer complaints and the handling of disputes, the Bank intends to appropriately handle customer complaints. d. The Bank has adopted "Guidelines for the Handling of Customer Disputes Related to the Sale of Financial Products" and "Guidelines for the Handling of Wealth Management Customer Disputes" to safeguard customer interests.

Focal points	Implementation Status		
	Y	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?	Y		e. 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. f. 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. (6) BOT manages its suppliers in accordance with standard form procurement contracts issued by the Public Construction Commission. The Bank’s procurement contracts expressly provide that “if the supplier violates legal requirements governing environmental protection or occupational health and safety,” BOT has the right to terminate or rescind the contract. The procurement contracts also include “protection of labor rights” provisions that require suppliers to perform their duty to safeguard labor rights in accordance with contractual stipulations.
5. Does the Bank follow internationally recognized standards or guidelines when preparing and publishing reports (such as its corporate sustainability 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?	Y		Each year since 2013 the Bank has voluntarily prepared a Corporate Social Responsibility Report for the preceding year to disclose actions taken to fulfill its corporate social responsibility, and to align with the international trend toward pursuit of sustainable development, in 2021 the Bank began calling this document its Sustainability Report. Adopting environmental, social, and corporate governance (ESG) as the three key focal points, the Bank prepared the report in accordance with the GRI Standards: Core option, and paid increased attention to climate-related financial disclosures, the UN Sustainable Development Goals (SDGs), and material stakeholder issues. The British Standards Institution (BSI), an independent third-party certification body, examined the Sustainability Report and issued an independent assurance opinion which indicated a moderate level of Type 1 assurance regarding the report’s adherence to the AA1000 Principles.
6. If the Bank has compiled its own corporate sustainable development rules in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please explain their operation and their divergences: The Bank is not a TWSE/GTSM listed company, and has not compiled its own corporate sustainable development rules.			
7. Other important information that would aid in understanding the operation of corporate sustainable development: The Bank’s website has a special sustainable development section that discloses information on actions taken by the Bank to promote sustainable development.			

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

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
1. 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? (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"? (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		(1) A "Code of Ethical Conduct for Directors, Supervisors, and Executive Officers of TFH and its Subsidiaries" adopted by the Taiwan Financial Holding Co., the Bank's parent company, has been approved by the Board of Directors. This Code provides a guideline to ensure ethical conduct by directors and senior management, and seeks to bring about ethical business practices. (2) a. 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. b. The Bank holds occasional education and training activities focusing on corporate ethics, government ethics, and related matters, and materials used in the meetings are posted to bulletin boards to boost the awareness raising effect. (3) As above.
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? (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? (3) Has the Bank adopted a conflict-of-interest policy, and provided an appropriate complaint channel? Is the policy being properly implemented?	V	V	(1) The Bank conducts its purchasing operations in accordance with the provisions of the "Government Procurement Act" as well as related secondary regulations and legislative interpretations. To avoid awarding procurement contracts to unethical firms, before opening bid packages the Bank always visits the website of the Executive Yuan's Public Construction Commission to check whether bidders have been blacklisted and are therefore prohibited by law from taking part in public tenders or receiving a contract award. The Bank has also adopted penal provisions governing what to do when unethical behavior occurs. (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. (3) The Bank's "Charter" and "Rules of Procedure for Board of Directors Meetings" clearly stipulate rules for the recusal of Directors.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
(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 2021, the Bank held in-house training courses for Ethics Guidelines and discipline rules with a total of 460 trainees participating. b. In 2021, the Bank held a "compliance governance, ethics, and sustainability" financial forum to which the BOT chairperson invited the heads of the Ministry of Finance, the Financial Supervisory Commission, and the Ministry of Justice to share insights and suggestions. Also, by joining with the Ministry of Justice's Agency Against Corruption and the chairpersons of the other public-sector banks in signing an "ethical business practices" declaration, the Bank signaled its determination to firmly establish an ethical corporate culture.
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		(1) 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. Article 11 of the "Whistleblower Program Rules" provides as follows: "If a whistleblower complaint is found to have merit, the complainant will be deemed to have made a significant contribution to the Bank, and if the complainant is a Bank employee, then the matter shall be referred to the head office's Human Resources Evaluation Committee for deliberations on whether to confer an award."
(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. Documents related to whistleblower complaints are classified as confidential and handled in accordance with the document confidentiality rules set out in the Executive Yuan Document Processing Manual. If an investigation reveals that any employee has engaged in irregularities, action shall be taken to pursue the violator's administrative liability, or the violator's business unit shall be instructed to take corrective action.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
(3) Has the Bank adopted measures to protect whistleblowers from retaliation?	√		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. (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?	√		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.			
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 Sustainability 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 53 and 54 of the Chinese annual report.

(2) Independent Auditors’ Report

Please refer to page 55 of the Chinese annual report.

9. Major Resolutions of Board Meetings

Date	Session	Major Resolutions
Jan. 8, 2021	the 23rd meeting of the 6th Board of Directors	1. The Bank's 2022 Business Plan (including subsidiaries) was approved. 2. Approval was given to apply to the Financial Supervisory Commission for permission to provide financial products and services to high-asset customers.
	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	1. The Bank's 2020 Statement of Internal Control was passed. 2. The Bank's 2020 Statement of Internal Controls for AML/CFT Compliance was passed. 3. 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	1. The Independent Assessment Report on the 2020 Test of the Bank of Taiwan AML/CFT System was presented. 2. The audited 2020 Individual and Consolidated Statements, Business Report, Statement of Earnings Appropriation, and List of Major Properties were passed. 3. The audited 2020 Internal Control System Recommendations were passed. 4. The 2020 Bank-wide Compliance Risk Assessment was passed. 5. The "Form for Assessment of Implementation by Financial Institution of the 'Principles for Fair Treatment of Consumers' in 2021" was passed. 6. The Bank of Taiwan Information Security Statement for 2020 was passed.
Apr. 9, 2021	the 133rd meeting of the 6th Board of Managing Directors	A motion was passed to authorize the manager of the Department of International Banking to approve and amend the BSA/AML and OFAC PROGRAM at the Silicon Valley office.
Apr. 16, 2021	the 134th meeting of the 6th Board of Managing Directors	1. The "2020 Special Audit Report on the Bank of Taiwan's Personal Data Protection Regime (CPA Assurance Report)" was presented. 2. The "Summary Table on the Status of Implementation in 2020 of the Bank of Taiwan Information Operations Development Blueprint" and "Bank of Taiwan 2021-2025 Information Operations Development Blueprint" were submitted.
Apr. 23, 2021	the 135th meeting of the 6th Board of Managing Directors	A plan was reported whereby floors 6, 8, and 9 of the building that houses the Bank's Minquan Branch, which are currently leased to tenants, will be taken back from the tenants upon expiration of the current lease agreements in accordance with the "Suggested Plan for More Rational Usage of Office Space at BOT Headquarters." These three floors will then be reserved for use by BOT headquarters.

Date	Session	Major Resolutions
May 7, 2021	the 26th meeting of the 6th Board of Directors	1. The Audit Committee's audit report on the Bank's 2020 final accounting documents was reported to the board. 2. The "BOT 2020 Internal Self-Assessment Report on Internal Audit Quality" and "Corrective Action Plan Based on BOT 2020 Internal Self-Assessment of Internal Audit Quality" were presented. 3. The "Bank of Taiwan 2020 Bank-wide ML/FT Risk Assessment" and "Bank of Taiwan 2021 AML/CFT Regime Improvement Plan" were reported. 4. The Bank's "2021 Audit Plan Supplementary Report" was approved. 5. 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. 6. Approval was given to waive the non-compete clause that would have otherwise prohibited Shih, Yu-Che, a BOT manager, from serving as a director for Hua Nan Bank. 7. Approval was given to apply to the Financial Supervisory Commission for permission to conduct leasehold trust business.
	the 137th 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, 2020 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 2020.
May 28, 2021	the 10th interim meeting of the 6th Board of Directors	Approval was given for Wu, Mu-Ying, an SEVP of Taiwan Financial Holding Co., to be transferred to serve as a BOT SEVP, and for Yau, Ming-Jen, a manager in the BOT Department of Loan Assets Management, to be promoted to serve as another BOT SEVP.
	the 140th meeting of the 6th Board of Managing Directors	Approved a proposal for the Keelung City Government, Department of Finance, Local Financial Institutions Division to continue for three more years to borrow part of the 3rd floor of the BOT Keelung Branch for its own use as office space.
Jun. 11, 2021	the 142nd meeting of the 6th Board of Managing Directors	The retirement on Jul. 16, 2021 of BOT SEVP & General Auditor Lee, Li was approved.
Jun. 25, 2021	the 11th interim meeting of the 6th Board of Directors	Approved a proposal for BOT Senior Executive Vice President Kang, Fan to be appointed as Chairperson of BOT subsidiary BankTaiwan Insurance Brokers Co., and for President Huang, Chen-Ying of BankTaiwan Insurance Brokers Co., having reached the age of 65, to be reappointed for one more year as president from 10 April 2022.
Jul. 16, 2021	the 147th meeting of the 6th Board of Managing Directors	Reported the temporary appointment of Lu, Chun-Chen (Senior Vice President of the BOT Board of Directors Department of Auditing) to serve as acting General Auditor in place of BOT General Auditor Lee, Li following the retirement of the latter on 16 July 2021.
Jul. 23, 2021	the 12th interim meeting of the 6th Board of Directors	Approved a proposal for promotion of Lu, Chun-Chen (Senior Vice President of the BOT Board of Directors Department of Auditing) to the position of General Auditor at BOT headquarters, and for Hsu, Su-Chu, a manager in the BOT Department of Risk Management, to be promoted to the position of General Auditor at the Taiwan Financial Holding Co. In addition, it was recommended that Ms. Hsu's vacated position be filled through the promotion of Ho, Chia-Yen from her current position as a deputy manager in the Department of Risk Management.

Date	Session	Major Resolutions
Aug. 13, 2021	the 151st meeting of the 6th Board of Managing Directors	1. The Bank's 2020 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. 2. In order to support the development of green and sustainable industries, fulfill its corporate social responsibilities, and comply with the Financial Supervisory Commission's Green Finance Action Plan 2.0, the board approved a proposal to issue NT\$1 billion worth of 5-year term unsecured green bonds, to be counted against the Bank's approved cap on rolling debt. 3. After a seismic test revealed concerns about the earthquake resistance of the Luodong Branch, the Bank reported the matter to the Board of Directors, which approved a proposal to find another site for the Luodong Branch and demolish the original premises.
Aug. 20, 2021	the 28th meeting of the 6th Board of Directors	The audited individual and consolidated statements for first half of 2021 were passed.
Aug. 27, 2021	the 13th interim meeting of the 6th Board of Directors	Approved a proposal for BOT Senior Executive Vice President Pan, Rong-Yaw to be transferred to the position of Director General of the Central Bank's Department of Banking, effective 1 Sept. 2021, and for Mr. Pan's concurrently held positions of Secretary-General of the Board of Directors and Chief Corporate Governance Officer to be assumed in a concurrent capacity by Tai, Shih-Yuen (Director of the Department of Human Resources) and Chen, Han-Kuo (Deputy General Manager of Department of Planning and Division Manager of the Legal Affairs Center), respectively.
Sep. 3, 2021	the 154th meeting of the 6th Board of Managing Directors	Approved a proposal for BOT to act as Agent Bank and handle redemption operations on behalf of the Ministry of Economic Affairs for the Ministry's Quintuple Stimulus Voucher program.
Sep. 17, 2021	the 29th meeting of the 6th Board of Directors	1. Reported completion on 27 Aug. 2021 of the issuance of NT\$1 billion worth of Bank of Taiwan's 110-1 Senior Unsecured Financial Debentures, and commencement from that same date of trading of the debentures on the Taipei Exchange. 2. Approved a proposal to subscribe to purchase shares in Financial Information Service Corporation currently held by HSBC Bank (Taiwan), up to a maximum amount of NT\$158,122,000, and to apply with the competent authority for permission to make the purchase first and carry out an after-the-fact allocation for the purchase in the 2023 budget. 3. Approval was given to waive non-compete restrictions against manager Su, Shu-Lin, department head Liang, Mei-Ling, General Manager Chang, Chun-Yuang, and manager Yao, Li-Ling. 4. Approved a proposal for BOT to take part in funding of a collaborative project by the Taiwan Financial Services Roundtable and the Taiwan Academy of Banking and Finance to establish an international finance institute, and to issue a letter of intent.
	the 156th meeting of the 6th Board of Managing Directors	1. Approved a proposal to provide advance consent to continue lending three plots of land owned by the Bank (in Taipei City, Zhongzheng District, Subsection 5, Lots 60, 63, and 64) to the National Museum of History for another 10 years to implement the "Executive Yuan Project to Upgrade Facilities at the National Museum of History." 2. Approved a proposal to lease 25 plots of land totaling 8,530 square meters owned by the Bank (in Taipei City, Zhongshan District, Beian Subsection 301) to the National Housing and Urban Regeneration Center (HURC), which will use it to build social housing. After the Ministry of the Interior's Construction and Planning Agency rezones the land, the HURC will administer rental of the housing.

Date	Session	Major Resolutions
Oct. 7, 2021	the 1st meeting of the 7th Board of Directors	1. Reported the list of members of the BOT's 7th Board of Directors passed by the Taiwan Financial Holding Co. (including three independent directors and two labor directors), to serve a term running to 6 October 2024. 2. Reported that the three independent directors on BOT's 7th Board of Directors will serve as members of the BOT Audit Committee. 3. Appointed five persons (Joseph Jye-Cherng Lyu, director; Hsu, Chih-Wen, director; Tsai, Ming-Fang, independent director; Chang, Juin-Jen, director; and Juan, Ching-Hwa, director) to the 7th Board of Managing Directors. 4. Approval was given for Hsu, Chih-Wen to continue serving as BOT President.
	the 1st meeting of the 7th Board of Managing Directors	Elected Managing Director Joseph Jye-Cherng Lyu as the 1st chairman of the Bank's 7th Board of Directors.
Oct. 8, 2021	the 2nd meeting of the 7th Board of Managing Directors	Approved a decision regarding which contractor would be hired to design, and oversee the construction of, a new building to house the Bank's Luodong Branch.
Oct. 15, 2021	the 3rd meeting of the 7th Board of Managing Directors	Approved the 2021 Recovery Plan and Independent Assurance Opinion to be filed with the Hong Kong Monetary Authority by the Bank's Hong Kong Branch.
Oct. 29, 2021	the 5th meeting of the 7th Board of Managing Directors	Approved, in accordance with a directive from the Financial Supervisory Commission whereby banks are allowed to suspend business at any branch where the pandemic has made it difficult to conduct business and make work assignments, a proposal to authorize the Bank's President to grant permission for suspension of business at specific branches.
Nov. 5, 2021	the 2nd meeting of the 7th Board of Directors	1. Approved to waive non-compete clause against Independent Managing Director Tsai, Ming-Fang, and Director Hsu, Hui-Feng of the Bank. 2. Approved, following the resignation of Huang, Chen-Ying from the position of President of BankTaiwan Insurance Brokers Co. on 8 Nov. 2021, a proposal to temporary fill the vacated position through the 3-month appointment of Chairperson Kang, Fan of that company to serve as acting President. 3. Passed the "2021 Report on Risk Assessment Results for Audited Units" and "The Audit Plan of 2022 by the Department of Auditing, Board of Directors". 4. Passed the "Bank of Taiwan 2022 Compliance/Anti-Money Laundering and Combating the Financing Terrorism Plan". 5. Approval was given to apply to the Financial Supervisory Commission for permission to provide financial products and services to high-asset customers again. 6. Approved a proposal for continued provision of "Outsourced Information System Services" in 2021 to Taiwan Financial Holding Co., BankTaiwan Life Insurance Co., BankTaiwan Securities Co., and BankTaiwan Insurance Brokers Co., and authorize management to handle related matters moving forward.
Nov. 19, 2021	the 1st interim meeting of the 7th Board of Directors	1. Reported a decision to extend the term of BOT Chairman Joseph Jye-Cherng Lyu to 14 Dec. 2022. 2. Approval was given for Ou, Shing-Shiang, an SEVP of Taiwan Financial Holding Co., to be transferred to serve as a BOT SEVP, and for Tai, Shih-Yuen, Director of the BOT Department of Human Resources, to be promoted to serve as another BOT SEVP, and for Mr. Ou to concurrently serve in an acting capacity in his vacated position of SEVP of Taiwan Financial Holding Co.
	the 8th meeting of the 7th Board of Managing Directors	Passed the filing of the "2021 UK Tax Strategy Declaration". (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
Jan. 7, 2022	the 3rd meeting of the 7th Board of Directors	1. The Bank's 2023 Business Plan (including subsidiaries) was approved. 2. Approval was given to waive the non-compete clause that would have otherwise prohibited Lin, Li-Ling (BOT Senior Executive Vice President) and Hu, Shin-Tzu (a manager in the BOT Department of Planning) from serving as directors in a BOT investee enterprise. 3. Approval was given to apply to the Financial Supervisory Commission for permission to conduct securities investment consulting business dealing with foreign securities. 4. Approval was given to establish a representative office in Phoenix, Arizona (USA) in order to expand the Bank's overseas business network, stay abreast of economic growth and high-tech development, serve the needs of Taiwan-invested firms in that area, and support the development of Taiwan's most critically important industries. 5. Approved a proposal to allow the Ministry of Culture's Bureau of Cultural Heritage to continue for two more years borrowing property (not including the tennis court) owned by the Bank (the Datong House national historic site in Taipei City, Zhongzheng District, Chongqing South Road Section 2 No. 2, and the Freedom House national historic site in Taipei City, Zhongzheng District, Aiguo West Road No. 16) to carry out interior renovations and landscape work at former President Yen Chia-Kan's residence. 6. Approved a proposal to lease four plots of land totaling 360 square meters owned by the Bank (in Taipei City, Zhongzheng District, Nanhai Section, Subsection 1, lots 708, 708-1, 709, and 709-1, all of which are located within the perimeter of an urban renewal project being carried out by Dong Da Chong Development Co.) and to take part in the urban renewal project in order to earn a better return on assets.
Jan. 14, 2022	the 16th meeting of the 7th Board of Managing Directors	Reported the positive results achieved in 2021 through incorporation of ESG strategies into the overall business strategy.
Jan. 28, 2022	the 18th meeting of the 7th Board of Managing Directors	Approved a proposal to construct a building on Bank-owned land in Kaohsiung City, Lingya District, Wuquan Section, lot No. 47 to house the Bank's Wufu Branch.
Feb. 11, 2022	the 19th meeting of the 7th Board of Managing Directors	Reported the "2021 Table of Funding (Donations) from the Bank of Taiwan to Private Organizations and How the Funds Have Been Used" and the "2021 Table of Funding (Donations) from the Bank of Taiwan to Municipal Governments and How the Funds Have Been Used".
Feb. 17, 2022	the 20th meeting of the 7th Board of Managing Directors	1. Reported BOT's renewal of a contract (Agreement for Outsourced Custody and Digital Archivization of BOT Documents from the Japanese Colonial Period) with Academia Sinica's Institute of Taiwan History and Institute of Modern History. 2. Reported on BOT's implementation in 2021 of civic group donations related to the Bank's lending business, and the resulting benefits.
Feb. 25, 2022	the 4th meeting of the 7th Board of Directors	1. Approved an amendment to the Bank of Taiwan Organization Rules. 2. Passed The Bank's 2021 Statement of Internal Control. 3. Passed The Bank's 2021 Statement of Internal Controls for AML/CFT Compliance. 4. Approved the 2023 business budget for the Bank (including its subsidiaries).

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

Feb. 28, 2022

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Senior Executive Vice President	KANG, CHENG-CHUAN	Oct. 12, 2020	Jan. 16, 2021	Retirement
Senior Executive Vice President	KANG, FAN	July 20, 2018	June 25, 2021	Relieved of position (appointed as Chairperson of BankTaiwan Insurance Brokers Co.)
Senior Executive Vice President & General Auditor	LEE, LI	Apr. 16, 2019	July 16, 2021	Retirement
Senior Executive Vice President & Chief Corporate Governance Officer	PAN, RONG-YAW	July 5, 2019	Sep. 1, 2021	Unfilled position (transferred to the position of Director General of the Central Bank's Department of Banking)

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

IV. Auditing Fees

Unit: NT\$1,000

Name of Accounting Firm	Name of CPA	Period of Audit	Auditing Fees	Non-Auditing Fees	Total	Notes
KPMG Certified Public Accountants	Lee, Feng-Hui Wu, Lin	Jan. 1, 2021 ~ Dec. 31, 2021	3,958	6,336	10,294	Services for which non-auditing fees are charged: review of attestation to ratio of regulatory capital to risk-weighted assets; review of attestation to report on affiliations with the Taiwan Financial Holding Co.; audit and attestation to profit-seeking enterprise annual income tax return (including non-arm's length transfer pricing, income basic tax, and other related items); audit and attestation to internal control system; English-language audit certificate regarding internal control system of trust service custodial banking for overseas Chinese and foreign investors; audit and attestation to data on write-offs of bad debts of a single customer for which disclosure is required by competent authority regulations; evaluation report on BOT information systems and security control operations, prepared in accordance with competent authority regulations; special AML/CFT audit report; special audit report on the Bank's personal information protection regime; 2020 tax services provided to mainland area QFIs; CPA attestation to account title adjustments in the 2020 financial statements of mainland branches; investment plan certification reports prepared prior to the issuance of green bonds; and use-of-proceeds certification reports prepared after the issuance of green bonds.

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, 2021

Unit: Share; %

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
First Financial Holding Co., Ltd.	966,456,365	7.45	366,809,676	2.83	1,333,266,041	10.28
Taiwan Business Bank	1,001,446,638	12.93	162,876	0.00	1,001,609,514	12.93
Cathay Financial Holding Co., Ltd.	65,706,166	0.45	34,357,034	0.23	100,063,200	0.68
Mega Financial Holding Co.	334,951,379	2.46	702,844	0.01	335,654,223	2.47
Taiwan Fire & Marine Insurance Co., Ltd.	64,608,278	17.84	0	0.00	64,608,278	17.84
China Development Financial Holding Corporation	238,729,496	1.25	109,200	0.00	238,838,696	1.25
Yuanta Financial Holding Co., Ltd.	252,525,734	2.08	255,169	0.00	252,780,903	2.08
CTBC Financial Holding Co., Ltd.	299,632,426	1.50	79,556,100	0.40	379,188,526	1.90
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	148,281,465	0.45	1,013,473,437	3.07
Taiwan Stock Exchange Corporation	84,131,491	10.01	25,209,984	3.00	109,341,475	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
Taipei Forex Inc.	1,400,000	7.06	700,000	3.53	2,100,000	10.59
Taiwan Futures Exchange Corporation	20,363,426	4.85	8,258,713	1.97	28,622,139	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.	600,000	3.33	0	0.00	600,000	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.	15,143,965	2.90	6,553,156	1.26	21,697,121	4.16
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

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
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.	2,801,282,059	21.23	507,276,613	3.84	3,308,558,672	25.07
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

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66	III . Comments on Implementation of Capital Allocation Plan

Capital Overview

I. Capital and Shares

1. Source of Capital

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Others
Feb. 2022	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	2021	2020
Net Worth Per Share	Before Distribution		36.90	35.15
	After Distribution		36.61	34.96
Earnings Per Share	Weighted Average Issued Shares		10,900,000,000	10,900,000,000
	Earnings Per Share (After Tax)		1.40	1.06
Dividends Per Share	Cash Dividends		0.29	0.20

Note: Figures for 2020 are approved by the National Audit Office; figures for 2021 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 2021, the Bank decided to distribute cash dividends totaling NT\$3.18 billion, or NT\$0.29 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 2021 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

1. NTD Bank Debentures

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	1. A Issue: Bonds issued on June 25, 2014 2. B Issue: Bonds issued on June 27, 2014 3. 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.	1. A Issue: The annual interest rate is a simple floating rate equal to the benchmark rate plus 0.3%. 2. B Issue: Annual interest rate — Fixed 1.70% simple rate. 3. 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
Trustee	None	None
Underwriting Organization	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
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 110-1 Senior Unsecured Financial Debentures
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 Sep. 6, 2018 Letter No. (FSC) Gin-Guan-Ying Kong 10701155740
Issue Date	Aug. 27, 2021
Par Value	NT\$10 million
Currency	TWD
Offering Price	Offered at full face value
Issue Amount	NT\$1 billion
Interest Rate	Annual interest rate — Fixed 0.39% simple rate
Term	5-year term Maturity date: Aug. 27, 2026
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	NT\$1 billion
Paid-In Capital for the Previous Year	NT\$109 billion
Net Worth Following its Final Budget for the Previous Year	NT\$383,144,455,000
Exercise	Normal
Conditions and Terms for Redemption or Early Settlement	None
Conversion and Exchange Terms	None
Restriction Terms	None
Capital Investment Plans	Loans to support green investment projects
Ratio of Reported Issue Amount and Balance of Outstanding to the Net Worth Following its Final Budget for the Previous Year (%)	10.18%
Counting in Net Capital (Risk-Based Capital Ratio) and Its Tier	No
Credit Rating Agency, Rating Date and Rating	None

2. USD Bank Debentures

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	1. A Issue: Bonds issued on Feb. 26, 2018 2. 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	1. A Issue: Coupon rate of 0%, with an implicit interest rate of 4.15% per annum 2. B Issue: Coupon rate of 0%, with an implicit interest rate of 4.07% per annum
Term	1. 30-year term 2. 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
Exercise	Normal
Conditions and Terms for Redemption or Early Settlement	1. 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.) 2. 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

Types of Financial Bonds	Bank of Taiwan 107-1 Unsecured USD Callable Bonds
Capital Investment Plans	1. Provide for the medium- and long-term funding needs of the Bank's overseas branches. 2. Fund the medium- and long-term corporate loans (both domestic and overseas syndicated loans). 3. 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	2017	2018
Description of Plan	To support the 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.	To meet the Bank's own medium- and long-term credit capital needs as well as the working capital needs of the Bank's overseas branches, and to expand the Bank's capital raising channels, BOT filed a US\$500 million (or other foreign currencies or New Taiwan Dollar of equivalent value) debt issue plan with the competent authority, which approved the plan on September 16, 2018 [per Sep. 16, 2018 Letter No. (FSC) Gin-Guan-Ying Kong 10701155740].
Status of Implementation	1. 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, a coupon rate of 0% (with an implicit internal rate of return of 4.15% per annum, NC2*1), and the bonds will all be retired at maturity. 2. 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, a coupon rate of 0% (with an implicit internal rate of return of 4.15% per annum, NC5*1), and the bonds will all be retired at maturity.	On August 27, 2021, the Bank issued NT\$1 billion in its 110-1 Senior Unsecured Financial Debentures, which have a coupon rate of 0.39% and will all be retired at maturity.
Date of Announcement on Market Observation Post System	February 26, 2018: Posted bond issue data for Bank of Taiwan's 107-1 Unsecured USD Callable Bonds.	August 23, 2021: Posted bond issue data for Bank of Taiwan's 107-1 Unsecured USD Callable Bonds.
Effect of Implementation	BOT raised US\$500 million in 2018 through the issue 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.	BOT raised NT\$1 billion in 2021 through the issue of NTD Senior Unsecured Financial Debentures. The proceeds were used to fund loans to support the Bank's lending to support green investment projects.



Operational Highlights

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Operational Highlights

I. Business Activities

1. Main Areas of Business Operations

(1) Deposits

Unit: NT\$ Billion

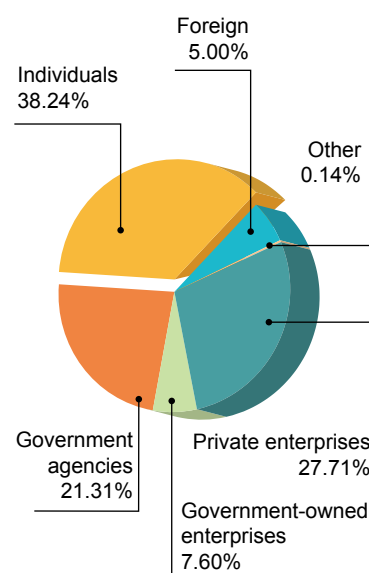
Year end Items	end-2021		end-2020		Amount of increase (decrease)	Percent increase (decrease)
	Amount	%	Amount	%		
Demand deposits (including foreign currency deposits)	1,738.2	41.30	1,640.9	39.33	97.3	5.93
Time deposits (including foreign currency deposits)	2,096.4	49.80	2,200.8	52.74	(104.4)	(4.74)
Public treasury deposits	374.7	8.90	330.8	7.93	43.9	13.27
Totals	4,209.3	100	4,172.5	100	36.8	0.88

(2) Loans

Unit: NT\$ Billion

Year end Items		end-2021		end-2020		Amount of increase (decrease)	Percent increase (decrease)
		Amount	%	Amount	%		
Category of borrower	Private enterprises: Large	397.5	13.33	412.8	14.18	(15.3)	(3.71)
	Private enterprises: Small and medium	429.0	14.38	411.3	14.13	17.7	4.30
	Government-owned enterprises	226.6	7.60	177.8	6.11	48.8	27.45
	Government agencies	635.6	21.31	675.8	23.22	(40.2)	(5.95)
	Individuals	1,140.5	38.24	1,051.6	36.13	88.9	8.45
	Foreign	149.1	5.00	177.2	6.09	(28.1)	(15.86)
	Other	4.4	0.14	4.2	0.14	0.2	4.76
Term of loans	Short-term loans	738.7	24.77	787.4	27.05	(48.7)	(6.18)
	Medium-term loans	907.2	30.41	876.2	30.10	31.0	3.54
	Long-term loans	1,336.8	44.82	1,247.1	42.85	89.7	7.19
Totals		2,982.7	100	2,910.7	100	72.0	2.47

2021 Structure of Loans



Note: According to statistical data from the Refinitiv rankings of Taiwan's syndicated loan market, in 2021 BOT again held first place in the rankings for the categories of "Mandated Lead Arranger" and "Bookrunner", so it is clear that BOT enjoys the deep trust of its customers and peer institutions, and is a leader in the syndicated loan market.

(3) Foreign Exchange and International Banking

Unit: US\$ Billion

Items \ Year	2021		2020		Amount of increase (decrease)	Percent increase (decrease)
	Amount	%	Amount	%		
Exports	3.233	0.90	2.325	0.65	0.908	39.05
Imports	8.176	2.28	6.475	1.80	1.701	26.27
Foreign exchange	347.770	96.82	351.020	97.55	(3.25)	(0.93)
Totals	359.179	100	359.820	100	(0.641)	(0.18)

(4) Digital Banking

Items \ Year	2021 (Number of transactions: x10,000)	end-2021 (Number of accounts: x10,000)	end-2020 (Number of accounts: x10,000)	Percent increase in number of accounts
Online banking	1,941	411.50	391.20	5.19
Corporate e-Banking	736	10.00	9.20	8.70
Electronic payment acceptance	1,565	0.72	0.67	7.46

(5) Trust Business

Unit: NT\$ Billion

Items \ Year	2021	2020	Amount of increase (decrease)	Percent increase (decrease)
Trust business (average annual balance of trust principal)	448.033	429.997	18.036	4.19
Custodial business (year-end balance of total assets in custody)	1,619.022	2,630.265	1,011.243	(38.45)

Note: The 2021 year-end balance of total assets in custody fell by 38.45% from 2020 because global custodians adjusted their strategies for the use of sub-custodians, resulting in large asset transfers. However, the total balance of discretionary investment assets in custody stood at NT\$699.8 billion, and BOT still commanded the top market share in the 4th quarter of 2021.

(6) Investment

A. Volume of trading and underwriting of domestic bills

Unit: NT\$ Billion

Items \ Year end	end-2021	end-2020	Amount of increase (decrease)	Percent increase (decrease)
Amount of bills transactions	11,784.281	9,220.856	2,563.425	27.80
Amount of bills underwritten	134.881	152.837	(17.956)	(11.75)

B. Balance of investments in bonds and stocks

Unit: NT\$ Billion

Items \ Year end	end-2021	end-2020	Amount of increase (decrease)	Percent increase (decrease)
Bonds (in both NT\$ and foreign currency)	325.412	279.499	45.913	16.43
Stocks (short-term investments)	19.909	10.355	9.554	92.26
Long-term share investments	74.687	72.092	2.595	3.60

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

Unit: NT\$ Billion

Items \ Year	2021	2020	Amount of increase (decrease)	Percent increase (decrease)
Average amount of currency issued and outstanding for the year	2,810.1	2,530.9	279.2	11.03
Highest amount of currency issued and outstanding during the year (business day before Lunar New Year's Eve)	3,065.0 (2021/2/9)	2,793.2 (2020/1/22)	271.8	9.73
Amount of currency issued and outstanding (year-end)	2,948.4	2,604.4	344.0	13.21

(8) Government Employees Insurance

Unit: NT\$ Billion

Item \ Year	2021	2020	Amount of increase (decrease)	Percent increase (decrease)
Income from insurance premiums	23.628	23.623	0.005	0.02

(9) Procurement Business

Unit: NT\$ Billion

Item \ Year	2021	2020	Amount of increase (decrease)	Percent increase (decrease)
Procurement business	37.668	43.442	(5.774)	(13.29)

(10) Wealth Management Service

Unit: NT\$ Million

Items	2021	Target figure for the year	Target completion rate
Income from processing fees for funds	362	329	110.03
Income from processing fees for insurance	682	784	86.99
Income from processing fees for Gold Passbooks	68	153	44.44
Totals	1,112	1,266	87.84

(11) Precious Metals Business

Unit: NT\$ Billion

Items	Year	2021	2020	Amount of increase (decrease)	Percent increase (decrease)
Precious metals business (business volume)		130.711	126.012	4.699	3.73
Income from processing fees for handling tariff-rate quotas		0.046	0.048	(0.002)	(4.17)
Totals		130.757	126.060	4.697	3.73

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

Unit: NT\$1,000

Items	Year	2021		2020		Amount of increase (decrease)	Percent increase (decrease)
		Amount	%	Amount	%		
Net interest income		29,638,043	75.91	27,488,013	80.52	2,150,030	7.82
Service fees, net		4,519,121	11.57	4,832,319	14.16	(313,198)	(6.48)
Gain (loss) on financial assets or liabilities at fair value through profit or loss		50,909,669	130.40	56,523,035	165.58	(5,613,366)	(9.93)
Realized gains from financial assets measured at fair value through other comprehensive income		4,455,998	11.41	3,545,905	10.39	910,093	25.67
Share of profit (loss) of associates and joint ventures accounted for using equity method		3,997,933	10.24	1,699,306	4.98	2,298,627	135.27

Items	2021		2020		Amount of increase (decrease)	Percent increase (decrease)
	Amount	%	Amount	%		
Foreign exchange gain (loss)	(2,002,749)	(5.13)	(4,406,124)	(12.91)	2,403,375	(54.55)
Gain on reversal (provision) of impairment loss on assets	6,435	0.02	(33,992)	(0.10)	40,427	(118.93)
Other non-interest net profit or loss	(52,482,139)	(134.42)	(55,511,211)	(162.62)	3,029,072	(5.46)
Net revenue	39,042,311	100.00	34,137,251	100.00	4,905,060	14.37

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

2. Operating Plans for 2022

(1) Deposits

The Bank will continue working actively to optimize deposit structure and provide corporate customers with NT Dollar demand deposits, automatic salary payment services, transfer of funds from cashed checks, transfer of stock dividend and bond interest payments, conduct ACH & direct debit services, and encourage and guide customers to use time deposits for the purchase of insurance, investment funds, Renminbi, US dollars, and other such products; improve risk management, adopt operating rules in a timely manner, strengthen employee education and training, and reduce operational risks; continue to implement cross-selling mechanisms, and upgrade operational effectiveness; continue actively seeking to provide agent bank and collection & payment services to government agencies at all levels, and to optimize the Bank of Taiwan's Public Treasury website and the Public Treasury Deposit and Fee Accounts Management System, in order to improve the quality and efficiency of agent bank services.

(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. To coordinate with the government's Program for Promoting Six Core Strategic Industries, the Bank will actively undertake related lending business designed to help industrial firms obtain funding needed for development, and to coordinate with the government's Action Plan for Welcoming Overseas Taiwanese Businesses to Return to 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.

B. Consumer Banking

The Bank will continue to promote high-quality loans for the purchase of owner-occupied homes, actively help non-homeowners to purchase homes, and appropriately adjust lending strategies to deal with changing market conditions; will obtain the right to continue taking part in the "Low-Interest Nest-building Loan Program for Civil Servants and Teachers" from 2022 through 2024, will continue offering online application services, will launch MyData services, and will optimize digital application procedures; will actively undertake "Young Entrepreneur and Start-up Loans" and "Micro-business Start-up Phoenix Loans" and will step up cooperation with city and county governments to promote lending to young entrepreneurs and small & medium businesses; will coordinate with the government's promotion of digital finance by pro-actively promoting mobile payment services; and will continue to familiarize the public with the Bank's Guide Dog Affinity Card and The Lord is My Shepherd Affinity Card to enhance the competitive edge enjoyed by the Bank's credit card brand.

(3) Foreign Exchange and International Banking

The Bank will continue developing its foreign exchange deposits business, actively add to the range of electronic financial services available through digital foreign exchange deposit accounts, and provide a diverse range of foreign exchange services, thereby providing customers with one-stop shopping for financial services. 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) Digital Financial Services

To continue developing mobile payment services, the Bank intends to establish a "bill and fee payments diversified payments platform" that will enable bill payers make use of a more diverse range of methods to pay bills for which BOT acts as the collections agent; will introduce new intelligent customer services, and use mobile technology and a social media-based life ecosystem to link up its various digital financial services; will do more to develop employees' digital capabilities and step up business exchanges, will launch a "Training Program to Develop Seed Personnel for a Digital Transformation," and will use development of digital innovative ability in combination with performance management of targets and key results in order to spur development of employee agility.

(5) Trust Business

The Bank will continue to launch offshore bond products and add domestic and overseas fund products in combination with the wealth management business to increase the operating scale of fund and trust management products; continuously develop old-age trust products and property management trust of the disabled; seize opportunities to manage securities investment trust funds and discretionary investment accounts, thereby growing the Bank's custodial business; 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. Most investments in overseas markets will be made via ETFs and foreign-denominated equity fund beneficial certificates. The Bank will diversify its investments to spread its risks, will screen different types of strongly performing funds and buy them in tranches, and will engage in technical trading to increase investment returns.

(7) Government Employees Insurance

The Bank will continue holding Government Employees Insurance seminars, and will step up efforts to familiarize employees with legislation and business operations in order to facilitate development of business operations and maintenance of the interests of insured parties; continue to develop e-banking operations, and strengthen cyber security management; improve the stability of systems and implement them more efficiently to be prepared for further development of Government Employees Insurance business operations; reap higher returns on the Government Employees Insurance reserve fund by improving the diversity and risk management of reserve fund investments, and by diversifying investments to spread risks; build up the Bank's public service work and continue conducting satisfaction surveys to serve as reference for efforts to improve service quality.

(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; channel deployments will be improved to expand the wealth management service network; 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 precious metal products, in order to seize the business opportunities from retail and wholesale sales of physical precious metal.

3. Market Analysis

(1) Business Operations Areas

At the end of 2021, 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 2021, the global economy has been on the rebound, but recurrent waves of the pandemic have undercut the momentum of the recovery. Moreover, markets are expecting the US Federal Reserve to accelerate moves to cut back on its accommodative monetary policy, and this has caused an uptick in financial market volatility. Looking to the future, it remains advisable to closely watch the possible global economic impact of the pandemic, strategic competition between the US and China, 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 4.42% in 2022, while the forecast of the Central Bank of the Republic of China (Taiwan) is 4.05%. 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 BOT 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 BOT 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 BOT 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 BOT 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 BOT 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 risks and returns into account to raise the overall earning yield. In recent years the BOT has continually expanded

loans to private 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 77-78 of the Chinese annual report.

5. Long-term and Short-term Development

(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. Strengthen the Bank's international presence, further embark on global markets.
- E. Achieve sustainable finance, work for a shared prosperity.
- F. Promote digital transformation, create an innovative financial ecosystem.
- G. Strengthen AML/CFT mechanisms, assist crime prevention efforts.
- H. Keep informed of cyber security threats, strengthen capabilities for cyber security early warning and defense/response capabilities.
- I. Enhance risk management mechanisms, improve the management system.
- J. Cultivate outstanding manpower, strengthen organizational competitiveness.



BOT Chairman Joseph Jye-Cherng Lyu (7th from left) poses for a group photo with Professor Po-Chih Chen, a Senior Advisor to the ROC President and judging panel chair (7th from right), judging panel member and National Taiwan University Professor Jin-Tan Liu (6th from left), members of senior management from the Taiwan Financial Holdings Group, and award winners during the ceremony for the 2021 Bank of Taiwan Awards for Economic and Financial Research held on 3 Dec. 2021.

(2) Long-term Development Plan

The BOT has succeeded in 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, and accelerate the pace of efforts to develop Asian markets 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	2020	2021	As of Feb. 28, 2022
Number of Employees	Staff		7,424	7,422	7,320
	Guards		162	165	165
	Janitors		657	619	602
	Total		8,243	8,206	8,087
Average Age			45.65	45.70	45.71
Average Years of Service			18.10	18.06	18.07
Education (%)	Ph.D.		0.06	0.07	0.07
	Master's Degree		21.55	22.37	22.54
	Bachelor's Degree		71.12	70.85	70.83
	Senior High School		6.53	6.00	5.89
	Below Senior High School		0.74	0.71	0.67

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

III. Corporate Responsibility and Ethical Behavior

The BOT 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 programs to help financially distressed small and medium-sized enterprises and stimulate the economy, all in order to promote overall national economic development, and the Bank acts in line with international sustainability initiatives by addressing ESG concerns in its investment and product reviews, with an eye to encouraging

companies to attach proper importance to sustainable 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 Bank further raised the level of its participation in corporate social responsibility activities by holding the "Bank of Taiwan Arts Festival" (including painting, photography, music and calligraphy 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

Full-Time Non-Supervisory Employees \ Year	2021	2020	+/-
Number	8,128	8,145	(17)
Average Salary	1,429	1,401	28
Median Salary	1,138	1,080	58

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, trust, 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, mobile banking, cloud banking, EasyGo, corporate e-banking site, financial EDI, SuperPay and so on.

2. Future Development or Procurement Plans

- (1) In response to the rapid lateral expansion of business functions and to ensure that a single service failure does not affect overall system operations, the Bank intends to use an industry-standard microservice platform to support future business development.
- (2) Data source systems sometimes make unnecessary repeat transmissions of similar data to different management and analysis systems, which causes problems with system performance, administration, and resource depletion. To alleviate these problems, the Bank plans to use open platform technology to establish a chunked transfer platform.
- (3) The Bank will continue to develop integrated service systems for its branches, which have difficulty maintaining decentralized terminal systems at their end, and are hard pressed to adapt to the rise of the digital financial environment. To resolve these difficulties, the Bank is planning to take branch terminal systems and install them at the BOT information center, where all branch terminal system trading functions will be overhauled.
- (4) The Bank will adopt a system for management of third-party open source code, and start using open source management tools that include functions for identifying the vulnerabilities of third-party components, version update status, and license validity. The Bank is also planning to review third-party open source code in all its systems, either periodically or before the systems go online.
- (5) The Bank will strengthen its data loss prevention (DLP) capabilities. In addition to the Bank's current endpoint DLP and email DLP systems, the Bank intends to improve its DLP capabilities by building a gateway DLP system.

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 accounting servers. The Bank has smoothly completed "open network equipment and wiring" and 14 other infrastructure systems, as well as disaster recovery drills for its "core accounting server system" and 106 other application systems. These measures are intended to ensure continuity in the Bank's key business operations.

(2) Safety Protection

- A. The Bank smoothly passed follow-up audits by the British Standards Institution (BSI) in 2021, thus maintaining the following certifications: ISO 20000, ISO 27001, BS 10012, and ISO 22301.
- B. To enhance the network security, the Bank has introduced the "Online Isolation Protection System".
- C. To enhance information security control, and better protect sensitive information, the Bank made continued use of previously acquired "Internal Information Network Architecture and Equipment," an "IP Workstation Maximum Authorization Management System," an "Email Sensitive-Information Detection and Protection System," a "Data Endpoint Protection System," and a "Security Incident and Event Management" (SIEM) system.

VI. Cyber Security Management

1. Cyber Security Risk Management Architecture and Management Strategy

(1) Cyber security risk management architecture

- A. Acting in accordance with Article 38-1 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," the Bank has appointed an SEVP to serve as its chief cyber security officer, and at its head office has established a Department of Cyber Security that is responsible for the Bank's cyber security operations, which include planning, monitoring, and implementation of cyber security management.
- B. To continue promoting cyber security operations, and to manage them effectively, the Bank has established a Cyber Security Team that is chaired by the SEVP who supervises the Department of Cyber Security. This Team is in charge of coordinating and setting the Bank's cyber security policies, plans, and resource allocations. It convenes periodic Meetings on Computer Security to ensure the confidentiality, integrity, and availability of the Bank's information, and to prevent Bank operations from being affected by cyber security incidents. The Bank held two Meetings on Computer Security in 2021.
- C. The Bank has established a Cyber Security Incident Response Team (CSIRT) to respond rapidly and properly to incidents, and to carry out training exercises to prepare for response to cyber security incidents. When it met for the first time in 2021, the CSIRT reviewed the status of corrective actions taken in 2020 to address cyber security incidents. The CSIRT also conducted workshops focusing on response to cyber security incidents in order to improve the CSIRT's capabilities for investigating and responding to cyber security incidents.

(2) Cyber Security Policy

The Bank has adopted a Cyber Security Policy to serve as the basis for implementation of various cyber security measures. This Policy sets out the Bank's cyber security targets and cyber security work plans. The Cyber Security Policy is re-evaluated at least once per year to ensure that it complies with applicable laws and regulations, to check whether recent changes in technology or the business environment require that it be updated, and to ensure the effectiveness of cyber security operations.

(3) Cyber security management strategies

- A. The Bank has adopted a number of cyber security-related management systems. It has obtained ISO 27001 certification for its cyber security management system, ISO 22301 certification for its business continuity management system, and BS 10012 certification for its personal information management system. The Bank obtains validations by an impartial third party each year to keep these certifications current, to keep the Bank in line with the latest international trends in cyber security management, and to meet international management standards.

- B. Acting in accordance with the provisions of the "Cyber Security Management Act" and its secondary regulations, the Bank adopts and implements a cyber security maintenance plan every year, conducts a stocktaking of core and non-core business operations, adopts cyber security-related management systems and gets them approved by certification bodies, classifies its information and communication system defense requirements and sets system defense standards, and conducts business continuity exercises, security tests, and email social engineering drills.
- C. The Bank has built a layered defense-in-depth system, which employs multiple technologies to defend against the same types of attacks, thereby reducing security threats from the internet or an intranet and maintaining the confidentiality, integrity, and availability of important assets.
- D. In order to effectively obtain information on cyber security incidents, and to quickly report and respond to such incidents, the Bank has adopted a set of "Directions on the Reporting of and Response to Cyber Security Incidents" and has instructed its various units to comply with these Directions.
- E. The Bank provides all employees with at least three hours of general cyber security education per year, and requires them to pass related tests. The Bank also conducts periodic "Cyber Security Management Training Courses," "Cyber Security Workshops," "Cyber Security Incident Response Workshops" and other such training programs to raise employees' cyber security consciousness. In addition, dedicated cyber security personnel must attend at least 15 hours of professional-level cyber security coursework to strengthen their cyber security expertise.

VII. 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 of operations 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

Items	Year	2021	2020	2019	2018	2017
Cash, cash equivalents, placement with Central Bank and call loans to banks		772,223,584	747,558,149	704,899,680	700,995,809	833,847,494
Financial assets measured at fair value through profit or loss		355,533,269	326,438,433	244,193,929	236,408,718	236,519,757
Financial assets measured at fair value through other comprehensive income		995,955,988	991,067,914	1,013,078,126	1,117,727,277	-
Debt investments measured at amortized cost		164,929,574	156,093,052	177,206,775	167,824,692	-
Available-for-sale financial assets		-	-	-	-	1,135,942,401
Financial assets for hedging		-	-	1,071	41,693	22,759
Bills and bonds purchased under resell agreements		-	-	-	-	-
Receivables, net		58,784,555	53,456,959	58,510,274	59,274,333	59,257,009
Current income tax assets		1,497,521	2,104,852	1,126,655	1,113,134	1,082,264
Assets held for sale, net		-	-	-	-	-
Loans and discounts, net		2,940,449,487	2,869,204,520	2,676,141,224	2,557,027,294	2,285,039,243
Held-to-maturity financial assets		-	-	-	-	144,060,765
Investments under equity method, net		43,880,527	41,133,360	41,109,486	38,007,840	36,203,500
Restricted assets		-	-	-	-	-
Other financial assets, net		30,159,160	37,763,270	40,158,445	46,040,182	75,603,497
Property and equipment, net		138,885,078	139,164,914	138,128,918	96,226,027	96,344,383
Right-of-use asset, net		1,421,474	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		2021	2020	2019	2018	2017
Items						
Intangible assets, net		1,053,368	980,867	873,797	764,936	708,732
Deferred tax assets, net		456,765	623,816	903,797	312,291	170,841
Other assets		27,941,301	16,514,844	11,556,583	8,989,113	8,171,938
Total assets	Before distribution	5,548,409,858	5,398,790,232	5,124,730,454	5,045,991,546	4,928,212,790
	After distribution	5,546,227,882	5,396,664,320	5,124,730,454	5,045,991,546	4,928,212,790
Deposits of Central Bank and other banks		301,575,853	268,447,708	229,253,533	221,756,139	219,021,384
Financing from Central Bank and banks		36,170,330	15,849,400	-	-	-
Financial liabilities measured at fair value through profit or loss		19,678,531	32,337,278	60,283,847	50,554,317	35,030,435
Financial liabilities for hedging		16,241	49,894	25,537	12,973	60,480
Bills and bonds sold under repurchase agreements		3,987,215	6,418,088	21,564,871	25,078,047	33,906,120
Payables		42,483,843	41,653,884	43,850,744	45,790,114	42,267,063
Current income tax liabilities		1,671,453	1,090,936	1,291,140	291,444	488,722
Liabilities related to assets held for sale		-	-	-	-	-
Deposits and remittances		4,209,597,116	4,172,738,840	3,971,785,851	4,025,739,102	3,941,132,048
Financial bonds payable		25,999,058	24,999,085	24,998,820	24,998,566	24,998,316
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		423,216	924,671	962,539	678,843	842,822
Provision		476,726,992	420,237,839	361,821,599	315,020,626	314,774,236
Lease liabilities		1,319,965	1,323,312	1,479,132	-	-
Deferred tax liabilities		18,373,243	18,360,527	18,233,421	18,191,904	18,143,074
Other liabilities		8,199,245	11,216,748	10,694,256	7,750,426	8,505,331
Total liabilities	Before distribution	5,146,222,301	5,015,648,210	4,746,245,290	4,735,862,501	4,639,170,031
	After distribution	5,147,222,301	5,015,648,210	4,747,045,290	4,736,662,501	4,639,770,031

Items		Year	2021	2020	2019	2018	2017
Equity attributable to owners of the parent	Before distribution		402,187,557	383,142,022	378,485,164	310,129,045	289,042,759
	After distribution		399,005,581	381,016,110	377,685,164	309,329,045	288,442,759
Capital stock	Before distribution		109,000,000	109,000,000	109,000,000	95,000,000	95,000,000
	After distribution		109,000,000	109,000,000	109,000,000	95,000,000	95,000,000
Capital surplus			108,453,043	108,453,043	108,453,043	80,453,043	80,453,043
Retained earnings	Before distribution		122,270,794	110,958,000	101,706,372	92,761,664	84,512,109
	After distribution		119,088,818	108,832,088	100,906,372	91,961,664	83,912,109
Other equity			62,463,720	54,730,979	59,325,749	41,914,338	29,077,607
Treasury stock			-	-	-	-	-
Non-controlling interests			-	-	-	-	-
Total equity	Before distribution		402,187,557	383,142,022	378,485,164	310,129,045	289,042,759
	After distribution		399,005,581	381,016,110	377,685,164	309,329,045	288,442,759

Note: Figures for 2017 to 2020 are approved by the National Audit Office; figures for 2021 are CPA approved.

Condensed Consolidated Statements of Comprehensive Income

Unit: NT\$1,000

Items	Year	2021	2020	2019	2018	2017
Interest income		48,288,746	54,052,768	66,034,226	63,883,640	59,105,478
Less: Interest expense		18,650,703	26,564,755	39,355,028	38,258,281	33,583,405
Net interest income		29,638,043	27,488,013	26,679,198	25,625,359	25,522,073
Non-interest income, net		9,404,268	6,649,238	15,491,645	13,823,128	7,563,752
Net revenue		39,042,311	34,137,251	42,170,843	39,448,487	33,085,825
Bad debt expense and commitment and reserve for guarantees		261,249	310,089	7,345,228	7,302,488	1,685,005
Operating expenses		21,817,820	21,483,757	21,614,459	20,669,664	20,104,743
Income before tax from continuing operations		16,963,242	12,343,405	13,211,156	11,476,335	11,296,077
Income tax (expenses) revenues		(1,681,954)	(828,055)	(1,820,743)	(1,231,129)	(941,749)
Net income from continuing operations		15,281,288	11,515,350	11,390,413	10,245,206	10,354,328
Gain (Loss) from discontinued operations		-	-	-	-	-
Net income		15,281,288	11,515,350	11,390,413	10,245,206	10,354,328
Other comprehensive income		-	-	-	-	-
Other comprehensive income (net of tax)		5,890,159	- 6,058,492	15,765,706	3,365,802	4,739,114
Total comprehensive income		21,171,447	5,456,858	27,156,119	13,611,008	15,093,442
Net income attributable to owners of the parent company		15,281,288	11,515,350	11,390,413	10,245,206	10,354,328
Net income attributable to non-controlling interests		-	-	-	-	-
Total comprehensive income attributable to owners of the parent company		21,171,447	5,456,858	27,156,119	13,611,008	15,093,442
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share		1.40	1.06	1.15	1.08	1.09

Note: Figures for 2017 to 2020 are approved by the National Audit Office; figures for 2021 are CPA approved.

Condensed Individual Balance Sheets

Unit: NT\$1,000

Year		2021	2020	2019	2018	2017
Items						
Cash, cash equivalents, placement with Central Bank and call loans to banks		772,223,554	747,558,119	704,899,650	700,995,779	833,847,464
Financial assets measured at fair value through profit or loss		355,533,269	326,438,433	244,193,929	236,408,718	236,519,757
Financial assets measured at fair value through other comprehensive income		995,955,988	991,067,914	1,013,078,126	1,117,727,277	-
Debt investments measured at amortized cost		164,929,574	156,093,052	177,206,775	167,824,692	-
Available-for-sale financial assets		-	-	-	-	1,135,942,401
Financial assets for hedging		-	-	1,071	41,693	22,759
Bills and bonds purchased under resell agreements		-	-	-	-	-
Receivables, net		58,763,314	53,437,162	58,497,703	59,258,329	59,237,166
Current income tax assets		1,497,504	2,100,741	1,126,655	1,113,134	1,082,264
Assets held for sale, net		-	-	-	-	-
Loans and discounts, net		2,940,449,487	2,869,204,520	2,676,141,224	2,557,027,294	2,285,039,243
Held-to-maturity financial assets		-	-	-	-	144,060,765
Investments under equity method, net		44,259,229	41,512,229	41,546,887	38,434,590	36,594,041
Restricted assets		-	-	-	-	-
Other financial assets, net		30,159,160	37,763,270	40,158,445	46,040,182	75,603,497
Property and equipment, net		138,881,762	139,161,426	138,125,216	96,222,499	96,340,880
Right-of-use asset, net		1,421,474	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, net		1,052,853	980,334	873,217	764,829	708,629
Deferred tax assets, net		451,527	618,378	898,143	308,336	166,887
Other assets		27,938,284	16,511,833	11,553,574	8,986,040	8,168,927
Total assets	Before distribution	5,548,755,186	5,399,132,693	5,125,142,309	5,046,391,599	4,928,572,887
	After distribution	5,546,573,210	5,397,006,781	5,125,142,309	5,046,391,599	4,928,572,887
Deposits of Central Bank and other banks		301,575,853	268,447,708	229,253,533	221,756,139	219,021,384
Financing from Central Bank and banks		36,170,330	15,849,400	-	-	-
Financial liabilities measured at fair value through profit or loss		19,678,531	32,337,278	60,283,847	50,554,317	35,030,435

Year		2021	2020	2019	2018	2017
Items						
Financial liabilities for hedging		16,241	49,894	25,537	12,973	60,480
Bills and bonds sold under repurchase agreements		3,987,215	6,418,088	21,564,871	25,078,047	33,906,120
Payables		42,465,523	41,636,403	43,827,118	45,769,665	42,248,261
Current income tax liabilities		1,666,985	1,090,936	1,273,649	262,675	480,372
Liabilities related to assets held for sale		-	-	-	-	-
Deposits and remittances		4,209,976,571	4,173,100,442	3,972,246,112	4,026,190,539	3,941,518,628
Financial bonds payable		25,999,058	24,999,085	24,998,820	24,998,566	24,998,316
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		423,216	924,671	962,539	678,843	842,822
Provision		476,714,994	420,235,522	361,813,702	315,017,702	314,774,236
Lease liabilities		1,319,965	1,323,312	1,479,132	-	-
Deferred tax liabilities		18,373,243	18,360,527	18,233,421	18,191,904	18,143,074
Other liabilities		8,199,904	11,217,405	10,694,864	7,751,184	8,506,000
Total liabilities	Before distribution	5,146,567,629	5,015,990,671	4,746,657,145	4,736,262,554	4,639,530,128
	After distribution	5,147,567,629	5,015,990,671	4,747,457,145	4,737,062,554	4,640,130,128
Equity attributable to owners of the parent	Before distribution	402,187,557	383,142,022	378,485,164	310,129,045	289,042,759
	After distribution	399,005,581	381,016,110	377,685,164	309,329,045	288,442,759
Capital stock	Before distribution	109,000,000	109,000,000	109,000,000	95,000,000	95,000,000
	After distribution	109,000,000	109,000,000	109,000,000	95,000,000	95,000,000
Capital surplus		108,453,043	108,453,043	108,453,043	80,453,043	80,453,043
Retained earnings	Before distribution	122,270,794	110,958,000	101,706,372	92,761,664	84,512,109
	After distribution	119,088,818	108,832,088	100,906,372	91,961,664	83,912,109
Other equity		62,463,720	54,730,979	59,325,749	41,914,338	29,077,607
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	402,187,557	383,142,022	378,485,164	310,129,045	289,042,759
	After distribution	399,005,581	381,016,110	377,685,164	309,329,045	288,442,759

Note: Figures for 2017 to 2020 are approved by the National Audit Office; figures for 2021 are CPA approved.

Condensed Individual Statements of Comprehensive Income

Unit: NT\$1,000

Items	Year	2021	2020	2019	2018	2017
Interest income		48,288,746	54,052,768	66,034,226	63,883,640	59,105,478
Less: Interest expense		18,651,099	26,565,093	39,355,438	38,258,657	33,583,762
Net interest income		29,637,647	27,487,675	26,678,788	25,624,983	25,521,716
Non-interest income, net		9,295,609	6,540,043	15,345,157	13,668,495	7,417,544
Net revenue		38,933,256	34,027,718	42,023,945	39,293,478	32,939,260
Bad debt expense and commitment and reserve for guarantees		261,249	310,089	7,345,228	7,302,488	1,685,005
Operating expenses		21,725,962	21,391,282	21,507,754	20,563,400	19,998,078
Income before tax from continuing operations		16,946,045	12,326,347	13,170,963	11,427,590	11,256,177
Income tax (expenses) revenues		(1,664,757)	(810,997)	(1,780,550)	(1,182,384)	(901,849)
Net income from continuing operations		15,281,288	11,515,350	11,390,413	10,245,206	10,354,328
Gain (Loss) from discontinued operations		-	-	-	-	-
Net income		15,281,288	11,515,350	11,390,413	10,245,206	10,354,328
Other comprehensive income		-	-	-	-	-
Other comprehensive income (net of tax)		5,890,159	- 6,058,492	15,765,706	3,365,802	4,739,114
Total comprehensive income		21,171,447	5,456,858	27,156,119	13,611,008	15,093,442
Net income attributable to owners of the parent company		15,281,288	11,515,350	11,390,413	10,245,206	10,354,328
Net income attributable to non-controlling interests		-	-	-	-	-
Total comprehensive income attributable to owners of the parent company		21,171,447	5,456,858	27,156,119	13,611,008	15,093,442
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share		1.40	1.06	1.15	1.08	1.09

Note: Figures for 2017 to 2020 are approved by the National Audit Office; figures for 2021 are CPA approved.

2. CPA-Auditor of Financial Report

Year	Name of Accounting Firm	Name of CPA		Audit 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
2021	KPMG Certified Public Accountants	Lee, Feng-Hui	Wu, Lin	Unqualified Opinion

II. Five-Year Financial Analysis

Consolidated Financial Analysis

Unit: NT\$1,000; %

Items		Year	2021	2020	2019	2018	2017
Operating Ability	Ratio of Loans to Deposits		70.87	69.77	68.42	64.39	58.82
	Non-Performing Loan Ratio (Note 4)		0.11	0.15	0.18	0.21	0.29
	Ratio of Interest Cost to Annual Average Deposits (Note 4)		0.58	0.81	1.07	1.10	1.07
	Ratio of Interest Income to Annual Average Loans Outstanding		1.26	1.32	1.60	1.68	1.66
	Total Assets Turnover (Times)		0.71	0.65	0.83	0.79	0.68
	Average Revenue per Employee		4,677	4,082	5,064	4,729	4,007
	Average Profit per Employee (Note 4)		1,831	1,377	1,368	1,228	1,254
Profitability	Return on Tier 1 Capital (Note 4)		5.82	4.50	5.62	5.62	5.63
	Return on Assets (Note 4)		0.28	0.22	0.22	0.21	0.21
	Return on Equity (Note 4)		3.89	3.02	3.31	3.42	3.68
	Net Income Ratio		39.14	33.73	27.01	25.97	31.30
	Earnings per Share (NT\$) (Note 4)		1.40	1.06	1.15	1.08	1.09
Financial Structure	Ratio of Liabilities to Assets		92.73	92.88	92.60	93.84	94.11
	Ratio of Property and Equipment to Equity		34.53	36.32	36.92	31.03	33.33
Growth Rate	Rate of Asset Growth (Note 4)		2.77	5.35	1.56	2.39	3.30
	Rate of Profit Growth (Note 4)		37.43	-6.57	15.12	1.60	-41.88
Cash Flow	Cash Flow Ratio		0.00	0.00	7.05	0.00	1.36
	Cash Flow Adequacy Ratio (Note 4)		(2,251.06)	204.21	547.94	581.82	1,580.25
	Cash Flow Satisfied Ratio		0.00	0.00	2,113.09	0.00	2,207.03
Liquidity Reserve Ratio			32.68	34.27	37.41	44.82	49.64
Loans to Parties with Material Relationship with the Bank			30,111,946	26,577,119	26,622,691	25,393,089	23,136,658
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans			0.98	0.88	0.94	0.94	0.96
Operating Scale	Market Share of Assets		8.53	8.78	8.98	9.22	9.40
	Market Share of Net Worth		8.98	8.82	9.05	8.01	7.96
	Market Share of Deposits		8.41	8.98	9.36	10.04	10.12
	Market Share of Loans		8.36	8.71	8.57	8.52	8.05

Notes: 1. Figures for 2017 to 2020 are approved by the National Audit Office; figures for 2021 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 2021, 2020, 2019, 2018 and 2017 in the amounts of NT\$6,842,192,000, NT\$8,469,704,000, NT\$8,781,167,000, NT\$9,584,098,000, and NT\$11,005,334,000, respectively.
4. Reasons why the ratio changed during the previous two years by 20% or more:
 - (1) Due primarily to increases in income before tax and net income, the Bank's return on Tier 1 Capital, return on assets, return on equity, average profit per employee, earnings per share, and rate of profit growth all rose from 2020 to 2021.
 - (2) Interest expenses as a share of annual average balance of deposits for the year decreased, mainly due to a decrease in deposit interest expenses.
 - (3) The decline in asset growth was primarily due to a slower rate of increase in assets; meanwhile, the decline in the cash flow adequacy ratio was primarily due to an increase in net cash outflow from operating activities.
 - (4) The lower NPL ratio was primarily due to the fact that NPLs fell in number from 2020.
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; %

Items		Year	2021	2020	2019	2018	2017
Operating Ability	Ratio of Loans to Deposits		70.86	69.76	68.41	64.38	58.82
	Non-Performing Loan Ratio (Note 4)		0.11	0.15	0.18	0.21	0.29
	Ratio of Interest Cost to Annual Average Deposits (Note 4)		0.58	0.81	1.07	1.10	1.07
	Ratio of Interest Income to Annual Average Loans Outstanding		1.26	1.32	1.60	1.68	1.66
	Total Assets Turnover (Times)		0.71	0.65	0.83	0.79	0.68
	Average Revenue per Employee		4,664	4,069	5,046	4,711	3,989
	Average Profit per Employee (Note 4)		1,831	1,377	1,368	1,228	1,254
Profitability	Return on Tier 1 Capital (Note 4)		5.82	4.49	5.61	5.59	5.61
	Return on Assets (Note 4)		0.28	0.22	0.22	0.21	0.21
	Return on Equity (Note 4)		3.89	3.02	3.31	3.42	3.68
	Net Income Ratio		39.25	33.84	27.10	26.07	31.30
	Earnings per Share (NT\$) (Note 4)		1.40	1.06	1.15	1.08	1.09
Financial Structure	Ratio of Liabilities to Assets		92.74	92.88	92.60	93.83	94.11
	Ratio of Property and Equipment to Equity		34.53	36.32	36.92	31.01	33.33
Growth Rate	Rate of Asset Growth (Note 4)		2.77	5.35	1.56	2.39	3.30
	Rate of Profit Growth (Note 4)		37.48	-6.41	15.26	1.52	-41.89
Cash Flow	Cash Flow Ratio		0.00	0.00	7.05	0.00	1.36
	Cash Flow Adequacy Ratio (Note 4)		(2,258.89)	195.81	548.71	582.64	1,580.25
	Cash Flow Satisfied Ratio		0.00	0.00	2,116.17	0.00	2,250.10
Liquidity Reserve Ratio			32.68	34.27	37.41	44.82	49.64
Loans to Parties with Material Relationship with the Bank			30,111,946	26,577,119	26,622,691	25,393,089	23,136,658
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans			0.98	0.88	0.94	0.94	0.96
Operating Scale	Market Share of Assets		8.53	8.78	8.98	9.22	9.40
	Market Share of Net Worth		8.98	8.82	9.05	8.01	7.96
	Market Share of Deposits		8.41	8.98	9.36	10.04	10.12
	Market Share of Loans		8.36	8.71	8.57	8.52	8.05

Notes: 1. Figures for 2017 to 2020 are approved by the National Audit Office; figures for 2021 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 2021, 2020, 2019, 2018 and 2017 in the amounts of NT\$6,842,192,000, NT\$8,469,704,000, NT\$8,781,167,000, NT\$9,584,098,000, and NT\$11,005,334,000, respectively.
4. Reasons why the ratio changed during the previous two years by 20% or more:
 - (1) Due primarily to increases in income before tax and net income, the Bank's return on Tier 1 Capital, return on assets, return on equity, average profit per employee, earnings per share, and rate of profit growth all rose from 2020 to 2021.
 - (2) Interest expenses as a share of annual average balance of deposits for the year decreased, mainly due to a decrease in deposit interest expenses.
 - (3) The decline in asset growth was primarily due to a slower rate of increase in assets; meanwhile, the decline in the cash flow adequacy ratio was primarily due to an increase in net cash outflow from operating activities.
 - (4) The lower NPL ratio was primarily due to the fact that NPLs fell in number from 2020.
5. Formulae used in calculations are the same as page 92.

Adequacy of Capital

Unit: NT\$1,000

Year			2021	2020	2019	2018	2017
Items							
Self-Owned Capital	Common Stocks Equity		294,229,293	288,306,427	260,398,368	209,451,511	204,281,845
	Other Total Tier 1 of Non-Common Stocks Equity						
	Tier 2 Capital		33,023,120	40,361,717	37,174,652	41,031,241	42,705,800
	Self-Owned Capital		327,252,413	328,668,144	297,573,020	250,482,752	246,987,645
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	1,983,680,458	2,062,529,245	1,955,312,649	1,818,059,477	1,723,632,715
		Internal Ratings-Based Approach					
		Securitization	560,578	439,884	291,897	438,445	249,668
	Operational Risk	Basic Indicator Approach					
		Standardized Approach/ Alternative Standardized Approach	63,048,988	64,279,938	63,628,550	64,333,363	61,430,838
		Advanced Measurement Approach					
	Market Risk	Standardized Approach	98,239,575	70,603,450	82,580,325	112,738,688	95,600,876
		Internal Model Approach					
	Total Risk-Weighted Assets		2,145,529,599	2,197,852,517	2,101,813,421	1,995,569,973	1,880,914,097
	Capital Adequacy Ratio (%)			15.25	14.95	14.16	12.55
Ratio of Tier 1 Capital to Risk Assets (%)			13.71	13.12	12.39	10.50	10.86
Ratio of Common Stocks Equity to Risk Assets (%)			13.71	13.12	12.39	10.50	10.86
Leverage Ratio (%)			5.48	5.46	5.08	4.12	4.10

Notes: 1. Figures for 2017 to 2021 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 96 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 Bank") and its subsidiary ("the Bank and subsidiary"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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 the Bank and subsidiary as at December 31, 2021 and 2020, and their consolidated financial performance and their 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 by Certified Public Accountants, Ruling No. 10802731571 issued by the FSC and the auditing standards generally accepted in Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of 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, 2020 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\$42,633,917 thousand and NT\$40,232,282 thousand as of December 31, 2021 and 2020, respectively, constituting 0.77% and 0.75% of the related consolidated total assets; nor the related shares of investment profit in associates accounted for using equity method of NT\$3,658,951 thousand and NT\$1,841,560 thousand for the years then ended, respectively, constituting 9.37% and 5.39% 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 2021 and 2020, 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, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 based on IFRS 9, 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 as of December 31, 2021. 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 be calculated by a model are classified as level 2 and level 3 except for which shall be 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, 2021 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, 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



KPMG

Taipei, Taiwan (Republic of China)
March 18, 2022

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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
11000 Cash and Cash Equivalents (note 6(a), 8 and 10)	\$ 130,046,869	2	134,091,204	3	Deposits of Central Bank and other banks (note 6(r), 8 and 10)	\$ 301,575,853	5	268,447,708	5
11500 Placement with Central Bank and Call Loans to Banks (note 6(b), 8, 10 and 11)	642,176,715	12	593,466,945	11	Due to the Central Bank and banks (note 6(b) and (s))	36,170,330	1	15,849,400	-
12000 Financial Assets Measured at Fair Value through Profit or Loss (note 6(c), 7, 8 and 10)	355,533,269	6	326,438,433	6	Financial Liabilities Measured at Fair Value through Profit or Loss (note 6(t), 7, 8 and 10)	19,678,531	-	32,337,278	1
12100 Financial Assets Measured at Fair Value through Other Comprehensive Income (note 6(d), (q), 7, 8 and 11)	995,955,988	18	991,067,914	18	Hedging Derivative Financial Liabilities, net (note 6(e), 7 and 8)	16,241	-	49,894	-
12200 Debt Investments Measured at Amortized Cost (note 6(i), (q), 7, 8 and 11)	164,929,574	3	156,093,052	3	Bills and Bonds Sold under Repurchase Agreements (note 6(f) and 8)	3,987,215	-	6,418,088	-
13000 Receivables, net (note 6(g), 8 and 10)	58,784,555	1	53,456,959	1	Payables (note 6(o), 8 and 10)	42,483,843	1	41,653,884	1
13200 Current Income Tax Assets (note 8)	1,497,521	-	2,104,852	-	Current Income Tax Liabilities (note 8)	1,671,453	-	1,090,936	-
13500 Loans and Discounts, net (note 6(h), 8 and 10)	2,940,449,487	52	2,869,204,520	53	Deposits and Remittances (note 6(v), 8 and 10)	4,209,597,116	76	4,172,738,840	78
15000 Investments under Equity Method, net (note 6(j))	43,880,527	1	41,133,360	1	Financial Bonds Payable (note 6(w) and 8)	25,999,058	-	24,999,085	-
15500 Other Financial Assets, net (note 6(g), (k), (q), 8 and 10)	30,159,160	1	37,763,270	1	Other Financial Liabilities (note 6(x) and 8)	423,216	-	924,671	-
18500 Property and Equipment, net (note 6(l), (q) and 8)	138,885,078	3	139,164,914	3	Provision (note 6(y), (z) and 8)	476,726,992	10	420,237,839	8
18600 Right-of-use assets (note 6(m))	1,421,474	-	1,447,075	-	Lease Liabilities (note 6(aa) and 8)	1,319,965	-	1,323,312	-
18700 Investment Property (note 6(n))	15,238,207	-	15,238,207	-	Deferred Tax Liabilities (note 6(ad) and 8)	18,373,243	-	18,360,527	-
19000 Intangible Assets, net (note 6(o) and 8)	1,053,368	-	980,867	-	Other Liabilities (note 6(ac), 8 and 10)	8,199,245	-	11,216,748	-
19300 Deferred Tax Assets (note 6(ad))	456,765	-	623,816	-	Total liabilities	<u>5,146,222,301</u>	<u>93</u>	<u>5,015,648,210</u>	<u>93</u>
19500 Other Assets, net (note 6(p), (q), 8 and 10)	27,941,301	1	16,514,844	-	Equity attributable to owners of parent (note 6(ae)):				
					Capital stock	109,000,000	2	109,000,000	2
					Capital surplus	108,453,043	2	108,453,043	2
					Retained earnings:				
					Legal reserve	50,631,691	1	47,616,203	1
					Special reserve	44,559,358	1	40,538,707	1
					Unappropriated retained earnings	27,079,745	-	22,803,090	-
						<u>122,270,794</u>	<u>2</u>	<u>110,958,000</u>	<u>2</u>
					Other equity	62,463,720	1	54,730,979	1
					Total equity	<u>402,187,557</u>	<u>7</u>	<u>383,142,022</u>	<u>7</u>
Total assets	<u>\$ 5,548,409,858</u>	<u>100</u>	<u>\$ 5,398,790,232</u>	<u>100</u>	Total liabilities and equity	<u>\$ 5,548,409,858</u>	<u>100</u>	<u>\$ 5,398,790,232</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

BANK OF TAIWAN AND SUBSIDIARY
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2021		2020		Change
		Amount	%	Amount	%	%
Revenue and income:						
41000	Interest income (note 6(af) and 10)	\$ 48,288,746	124	54,052,768	158	(11)
51000	Less: Interest expense (note 6(af) and 10)	18,650,703	48	26,564,755	78	(30)
	Net interest income (note 6(af))	29,638,043	76	27,488,013	80	8
Non-interest income, net						
49100	Service fees ,net (note 6(ag) and 10)	4,519,121	12	4,832,319	14	(6)
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (note 6(ah) and 10)	50,909,669	130	56,523,035	166	(10)
49310	Realized gains from financial assets measured at fair value through other comprehensive income (note 6(ai))	4,455,998	11	3,545,905	10	26
49600	Foreign exchange gain (loss) (note 6(aj) and 10)	(2,002,749)	(5)	(4,406,124)	(13)	55
49700	Gain on reversal (provision) of impairment loss on assets (note 6(l) and (q))	6,435	-	(33,992)	-	119
49750	Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(j))	3,997,933	10	1,699,306	5	135
49837	Premiums loss (note 6(ak))	663,748	2	1,634,164	5	(59)
49843	Sales income (note 6(p) and (ak))	411,131	1	846,871	2	(51)
48054	Subsidized income from government (note 6(ak) and 16(c))	7,721,076	20	7,784,351	23	(1)
49898	Excess preferential interest expenses (note 6(g) and (ak))	(6,842,858)	(18)	(8,470,186)	(25)	19
49871	Provisions for policyholders' reserve premium (note 6(ak))	(54,486,760)	(139)	(57,438,873)	(167)	5
49899	Excess interest expenses (note 6(aa), (ak) and 10)	51,524	-	132,462	-	(61)
	Net Revenue	39,042,311	100	34,137,251	100	14
58200	Bad debts expense, commitment and guarantee liability provision (note 6(h))	(261,249)	(1)	(310,089)	(1)	(16)
Expenses: (note 16(a))						
58500	Employee benefits expenses (note 6(z), (al) and 10)	(13,840,124)	(35)	(13,528,451)	(40)	2
59000	Depreciation and amortization expenses (note 6(am))	(1,856,878)	(5)	(1,717,579)	(5)	8
59500	Other general and administrative expenses (note 6(an) and 10)	(6,120,818)	(16)	(6,237,727)	(18)	(2)
	Total Expenses	(21,817,820)	(56)	(21,483,757)	(63)	2
	Profit from continuing operations before tax	16,963,242	43	12,343,405	36	37
61003	Less: Income tax expenses (note 6(ad))	1,681,954	4	828,055	2	103
	Net profit	15,281,288	39	11,515,350	34	33
65000	Other comprehensive income:					
65200	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
65201	Losses on remeasurements of defined benefit plans (note 6(z))	(1,897,206)	(5)	(1,047,137)	(3)	(81)
65205	Change in fair value of financial liability attributable to change in credit risk of liability	66,727	-	23,007	-	190
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	13,691,633	35	(4,779,758)	(14)	386
65206	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	690,083	2	(112,220)	-	715
65220	Less: 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	12,551,237	32	(5,916,108)	(17)	312
65300	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
65301	Exchange differences on translation of foreign financial statements	(339,843)	(1)	(1,084,186)	(3)	69
65308	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(5,109,095)	(13)	1,066,457	3	(579)
65306	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	(1,213,672)	(3)	(111,518)	-	(988)
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(ad))	(1,532)	-	13,137	-	(112)
	Components of other comprehensive income that will be reclassified to profit or loss	(6,661,078)	(17)	(142,384)	-	(4,578)
65000	Other comprehensive income	5,890,159	15	(6,058,492)	(17)	197
	Total comprehensive income	\$ 21,171,447	54	5,456,858	17	288
	Basic earnings per share(In dollars) (note 6(ao))	\$ 1.40		1.06		

See accompanying notes to consolidated financial statements.

BANK OF TAIWAN AND SUBSIDIARY
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Share capital					Other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings	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	\$ 109,000,000	108,453,043	44,692,790	36,646,723	20,772,449	(1,330,222)	60,751,921	3,955	29,532	393,235,740
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)
Net income for the period	-	-	-	-	11,515,350	-	-	-	-	11,515,350
Other comprehensive income	-	-	-	-	(1,090,906)	(1,457,046)	(3,544,337)	32	10,758	(6,058,492)
Total comprehensive income	-	-	-	-	10,424,444	(1,457,046)	(3,544,337)	32	10,758	(4,967,560)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(372,816)	-	372,816	-	-	372,816
Balance at December 31, 2020	109,000,000	108,453,043	47,616,203	40,538,707	22,803,090	(2,807,269)	57,580,400	3,987	40,090	54,730,979
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	3,015,488	-	(3,015,488)	-	-	-	-	-
Special reserve appropriated	-	-	-	4,020,651	(4,020,651)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,125,912)	-	-	-	-	(2,125,912)
Net income for the period	-	-	-	-	15,281,288	(473,744)	8,199,065	-	-	15,281,288
Other comprehensive income	-	-	-	-	(1,927,800)	(473,744)	8,199,065	112	25,799	7,817,959
Total comprehensive income	-	-	-	-	13,353,488	(473,744)	8,199,065	112	25,799	7,817,959
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	85,218	-	(85,218)	-	-	(85,218)
Balance at December 31, 2021	\$ 109,000,000	108,453,043	50,631,691	44,559,358	27,079,745	(3,281,013)	65,694,247	4,099	65,889	62,463,720
										402,187,557

See accompanying notes to consolidated financial statements.

BANK OF TAIWAN AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 16,963,242	12,343,405
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,543,919	1,422,527
Amortization expense	365,349	346,220
Expected credit loss	261,249	310,089
Interest expense	18,650,703	26,564,755
Interest income	(48,288,746)	(54,052,768)
Dividend income	(9,165,666)	(7,905,140)
Net change in other provisions	54,486,006	57,517,060
Share of profit of associates and joint ventures accounted for using equity method	(3,997,933)	(1,699,306)
Loss on disposal of property and equipment	32,995	27,748
Impairment loss (Reversal profit) on financial assets	(20,140)	32,526
Impairment loss on non-financial assets	13,705	1,466
Total adjustments to reconcile profit	13,881,441	22,565,177
Changes in operating assets and liabilities:		
Increase in due from the central bank and call loans to banks	(4,784,509)	(2,048,699)
Increase in financial assets measured at fair value through profit or loss	(41,295,627)	(82,853,097)
Increase in financial assets measured at fair value through other comprehensive income	(100,484,817)	(11,418,467)
(Increase) decrease in investments in debt instruments measured at amortised cost	(3,947,260)	12,769,459
Decrease in financial assets for hedging	-	1,071
(Increase) decrease in receivables	(7,086,297)	1,525,067
Increase in discounts and loans	(71,556,827)	(193,366,892)
Decrease in other financial assets	7,604,108	2,395,175
Increase in other assets	(12,107,050)	(2,023,287)
Increase in deposits from the central bank and banks	33,128,145	39,194,175
(Decrease) in financial liabilities measured at fair value through profit or loss	(12,658,747)	(27,946,569)
(Decrease) increase in financial liabilities for hedging	(33,653)	24,357
Decrease in notes and bonds issued under repurchase agreement	(2,430,873)	(15,146,783)
Increase in payables	1,965,756	3,074,187
Increase in deposits and remittances	36,858,276	200,952,989
Increase in provisions for employee benefits	2,085,251	907,582
Increase (decrease) in other liabilities	68,667	(124,441)
Total adjustments	(160,794,016)	(51,518,996)
Cash outflow generated from operations	(143,830,774)	(39,175,591)
Interest received	49,985,936	57,584,582
Dividends received	9,892,843	9,356,834
Interest paid	(19,786,527)	(31,835,537)
Income taxes paid	(314,339)	(1,599,369)
Net Cash flows used in operating activities	(104,052,861)	(5,669,081)
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(717,337)	(1,933,440)
Proceeds from disposal of property and equipment	-	1,102
Increase in refundable deposits	-	(833,283)
Decrease in refundable deposits	755,644	-
Acquisition of intangible assets	(436,487)	(451,750)
Net cash flows used in investing activities	(398,180)	(3,217,371)
Cash flows from (used in) financing activities:		
Increase in due to the central bank and banks	20,320,930	15,849,400
Proceeds from issuing bank financial debentures	1,000,000	-
Increase in guarantee deposits received	-	646,933
Decrease in guarantee deposits received	(3,086,170)	-
Payment of lease liabilities	(603,246)	(577,142)
Decrease in other financial liabilities	(501,455)	(37,868)
Cash dividends paid	(2,181,976)	(2,925,912)
Net cash flows from financing activities	14,948,083	12,955,411
Effect of exchange rate changes on cash and cash equivalents	(462,040)	(1,412,030)
Net (decrease) increase in cash and cash equivalents	(89,964,998)	2,656,929
Cash and cash equivalents at beginning of period	925,188,419	922,531,490
Cash and cash equivalents at end of period	\$ 835,223,421	925,188,419
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 130,046,869	154,091,204
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	260,912,556	217,017,313
Other items qualifying for cash and cash equivalents under the definition of IAS 7	444,263,996	554,079,902
Cash and cash equivalents at end of period	\$ 835,223,421	925,188,419

See accompanying notes to consolidated financial statements.

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business Scope

Bank of Taiwan (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 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.

(Continued)

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, 2021, 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 Jiaxing), 9 representative offices (in Mumbai, Yangon and Silicon Valley, Bangkok, Frankfurt, Manila, Ho Chi Minh City, Jakarta 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, 2021 include the accounts of the Bank and subsidiary (hereby referred as the Bank and subsidiary).

(2) Financial statements authorization date and authorization process:

The consolidated financial statements were approved by Audit Committee on March 17, 2022 and Board of Directors on March 18, 2022.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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's adoption of the new amendments beginning January 1, 2021 are as follows:

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

The Bank and subsidiary applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Bank and subsidiary have elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Bank and subsidiary had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as of December 31, 2020, there is no impact on its opening equity balances as a result of retrospective application.

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Bank and subsidiary will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank and subsidiary first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Bank and subsidiary will apply policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption. The Bank and subsidiary applied the following reliefs as and when uncertainty arising from interest rate benchmark reform was no longer present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Bank and subsidiary amended the designation of a hedging relationship to reflect changes that were required by the reform without discontinuing the hedging relationship; and

- when a hedged item in a cash flow hedge was amended to reflect the changes that were 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.

The details of the accounting policies are disclosed in Note 4(f) Financial instruments and Note 8 Financial risk management.

(ii) Other amendments

The following new amendments, effective January 1, 2021, do not have a significant impact on the Bank's and subsidiary's consolidated financial statements:

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

The Bank and subsidiary have initially adopted the following new amendments, which do not have a significant impact on their consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

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

The Bank and subsidiary assess that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on their consolidated financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment – 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"

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- (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 liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(p).
- (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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC
- The Bank and subsidiary do not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on their consolidated financial statements:
- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
 - IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
 - Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
 - Amendments to IAS 1 "Disclosure of Accounting Policies"
 - Amendments to IAS 8 "Definition of Accounting Estimates"
 - Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(4) Significant accounting policies:

- (a) Statement of compliance
- The Bank and subsidiary is 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 and Account Settlement Law. The annual financial statements are audited by the Ministry of Audit (the MoA) to ensure that the Bank and subsidiary comply 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 2020 have been certified by the MoA; hence, the opening balances in consolidated balance sheets of 2021 and 2020 are according to the audited year-end balances of 2020 and 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
- | Name of Investor
Bank of Taiwan | Name of Subsidiary
Bank Taiwan Insurance Brokers
("BTIB") | Principal activities
Life and Property
insurance broker | Shareholding
December 31, 2020
100.00 % | Note
100.00 % |
|------------------------------------|---|---|---|------------------|
| | | | | |

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(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 planned 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(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 asset is 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- 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's 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.

(Continued)

- 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 consider 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

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.

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 derecognize 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

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 designate 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(iv) Interest Rate Benchmark Reform—Phase 2 (Effective on January 1, 2021)

1) Modifications to the financial instruments

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Bank and subsidiary will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank and subsidiary will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Bank and subsidiary will apply the policies on accounting for modifications to the additional changes.

2) Hedge accounting

a) Modifications to the hedged item /financial instruments

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Bank and subsidiary will amend the hedge documentation of that hedging relationship to reflect the changes required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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The Bank and subsidiary amend the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the original hedging instrument is not derecognized; and
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument.

The Bank and subsidiary amend the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Bank and subsidiary will first consider whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Bank and subsidiary will amend the formal hedge documentation for changes required by IBOR reform as mentioned above.

b) Non-contractually specified risk component

If the Bank and subsidiary reasonably expect an alternative benchmark interest rate will be separately identifiable within a period of 24 months, that rate is not a separately identifiable component at the date it is designated. The Bank and subsidiary should designate the alternative benchmark interest rate as a non-contractually specified risk component.

(g) Investments in associates

Associate refers to an entity in which the Bank, TFH and its subsidiaries 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.

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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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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 exceed 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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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

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

(i) As a lessee

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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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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 elect 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.

(Continued)

- (ii) As a lessor
- 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

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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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.

(I) 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.

(Continued)

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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 review the carrying amounts of its non-financial assets (other than deferred tax assets) 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.

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BANK OF TAIWAN AND SUBSIDIARY
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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".

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(o) Revenue and expense recognition

Revenue is measured based on the consideration to which the Bank expects to be entitled in exchange for transferring goods or services to a customer. The Bank recognizes 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,
- 4) the seller retains neither continuing managerial involvement to degree usually associated with ownership nor effective control over the goods sold, and
- 5) the amount of revenue can be measured reliably.

(iii) 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 or 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.

(iv) 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.

(v) Dividend revenue: it shall be recognized if and only if the Bank and subsidiary have right to receive the dividend revenue.

(vi) 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.

(vii) 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.

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BANK OF TAIWAN AND SUBSIDIARY
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- (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 comprises: 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 8 and Article 7, 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 5 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 49 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.

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- 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.

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(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 and subsidiary measure its income tax liabilities separately according to the IAS 12 "Income Tax" and then report them to the TFH for tax filing.

The Bank and subsidiary are government-owned enterprises by the Ministry of Finance, so its income tax liabilities shall be calculated based on the amount audited by the Minister 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.

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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 inter-company 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 IFRSs endorsed by 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.

(Continued)

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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 guarantees 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 needs 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.

(Continued)

(c) 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 FSC). 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 subsidiary 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. The major assumptions of retirement benefit obligation were based on the actuarial assumptions of prior year and adjusted according to current market conditions or regulations.

(6) Explanation of Significant Accounts:

(a) Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 13,199,379	13,254,296
Foreign currency on hand	11,338,675	14,339,317
Notes and checks for clearing	9,085,856	4,641,210
Placement with banks	96,441,113	121,875,661
Less: Allowance for bad debts – placement with banks	(18,154)	(19,280)
Total	<u>\$ 130,046,869</u>	<u>154,091,204</u>

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

	December 31, 2021	December 31, 2020
Cash and cash equivalents in consolidated balance sheets	\$ 130,046,869	154,091,204
Due from the Central Bank of R.O.C. and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	260,912,556	217,017,313
Other items qualifying for cash and cash equivalents under the definition of IAS 7	444,263,996	554,079,902
Total	<u>\$ 835,223,421</u>	<u>925,188,419</u>

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.

(Continued)

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

	December 31, 2021	December 31, 2020
Call loans to banks	\$ 247,503,411	177,294,860
Less: allowance for doubtful accounts – call loans to banks	78,208	107,101
Deposit reserve – account A and account B	97,870,484	119,322,908
Deposit reserve – foreign – currency deposits	751,591	751,888
Deposits in Central Bank – overseas branches	1,834,046	1,892,003
Deposits in Central Bank	294,295,391	294,312,387
Total	<u>\$ 642,176,715</u>	<u>\$ 993,466,945</u>

(i) 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.

(ii) Additionally, as of December 31, 2021 and 2020, 60% of the reserve deposits collected on behalf of a government institution amounting to \$5,095,391 thousand and \$5,112,387 thousand, respectively, were deposited in the Central Bank and their use is restricted according to the regulations.

(iii) For the purpose of coordinating with the Covid-19 relief package from the Central Bank and alleviating the economic impact, the Bank applied to the Central Bank for project loans guaranteed by deposit reserve-account B. The amounts have been drawn down as of December 31, 2021 and 2020, please refer to note 6(s). The deposit reserve-account B were used as collateral please refer to 11.

(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, 2021	December 31, 2020
Financial assets designated at fair value through profit or loss	\$ 12,304,845	18,125,821
Add: Valuation adjustment	468,640	903,754
Subtotal	<u>12,773,485</u>	<u>19,029,575</u>
Financial assets mandatorily measured at fair value through profit or loss	208,582,985	205,469,695
Add: Valuation adjustment	134,176,799	101,939,163
Subtotal	<u>342,759,784</u>	<u>307,408,858</u>
Total	<u>\$ 355,533,269</u>	<u>\$ 326,438,433</u>

(Continued)

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

	December 31, 2021	December 31, 2020
Foreign government bonds, corporate bonds, financial bonds and others	\$ 12,304,845	18,125,821
Add: Valuation adjustment	468,640	903,754
Total	<u>\$ 12,773,485</u>	<u>\$ 19,029,575</u>

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

	December 31, 2021	December 31, 2020
Commercial papers	\$ 20,457,644	33,549,681
Corporate bonds	1,070,613	408,389
Convertible bonds	6,626,373	2,264,583
Treasury bills	1,998,214	-
Stocks and beneficiary certificates	178,365,722	169,189,399
Foreign exchange call options	5,429	1,950
Bond futures margin	3,519	-
Currency futures	5,217	5,195
Commodity futures	50,254	50,498
Add: Valuation adjustment – Non derivative financial instruments	130,667,853	90,361,456
Valuation adjustment – Foreign exchange call options	(1,586)	(248)
Valuation adjustment – Cross currency swaps	-	87,349
Valuation adjustment – Swaps	2,848,076	10,074,816
Valuation adjustment – Asset swaps	600,632	1,244,816
Valuation adjustment – Interest rate swaps	12,100	496
Valuation adjustment – Forward foreign exchange	51,783	177,934
Valuation adjustment – Fixed-rate commercial papers	(2,583)	(7,456)
Valuation adjustment – Bond futures margin	524	-
Total	<u>\$ 342,759,784</u>	<u>\$ 307,408,858</u>

(Continued)

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Notes to the Consolidated Financial Statements

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

	December 31, 2021	December 31, 2020
Foreign exchange call options	\$ 1,405,970	498,163
Swaps	472,013,610	440,324,029
Interest rate swaps	553,116	281,000
Forward foreign exchange	7,014,516	8,542,598
Fixed-rate commercial papers	800,000	800,000
Asset swaps	14,650,356	14,303,927
Cross currency swaps	-	1,086,400
Bond futures	345,688	-
Total	\$ 496,783,256	465,836,117

(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, 2021, the Bank'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, 2021	December 31, 2020
Debt instruments measured at fair value through other comprehensive income:		
Negotiable certificates deposits	\$ 607,570,000	666,115,000
Government bonds	89,175,358	49,830,499
Foreign government bonds, corporate bonds, financial bonds, and NCDs	89,198,826	87,410,468
Financial bonds	21,457,491	22,419,235
Corporate bonds	79,064,406	70,228,610
Add: Valuation adjustment	(2,460,043)	2,661,929
Subtotal	884,006,038	898,665,741
Equity instruments measured at fair value through other comprehensive income:		
Stocks	45,944,584	40,176,972
Add: Valuation adjustment	66,005,366	52,225,201
Subtotal	111,949,950	92,402,173
Total	\$ 995,955,988	991,067,914

(Continued)

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

The Bank has 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 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 intend to hold for long term for strategic purposes.

1) During the years ended December 31, 2021 and 2020, the dividends of \$3,262,566 thousand and \$3,068,416 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended December 31, 2021 and 2020, were recognized; the dividend of \$435,859 thousand and \$116,007 thousand related to the investments derecognized during the years ended December 31, 2021 and 2020, respectively, were recognized.

2) As of December 31, 2021 and 2020, the Bank 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 \$4,459,776 thousand and \$2,808,112 thousand, and the Bank realized a loss of \$88,532 thousand and \$200,536 thousand, which was already included in other comprehensive income. The loss has been transferred to retained earnings.

(iii) Profit and loss on investments, please refer to 6(ai).

(iv) As of December 31, 2021, the Bank's and subsidiary's financial assets at fair value through other comprehensive income were used as collateral, please refer to 11.

(c) Hedging Derivative Financial Instruments

The details of hedging derivatives financial liabilities were as follows:

	December 31, 2021	December 31, 2020
Fair value hedges:		
Interest rate swap	\$ 16,241	49,894

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.

	Designated Hedging Instruments	Fair Value
	December 31, 2021	December 31, 2020
USD financial bonds	Interest rate swap	(14,614)
USD corporate debts		(1,627)

(Continued)

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The net gain (loss) of hedging instruments for the years ended December 31, 2021 and 2020 amounted to \$34,644 thousand and \$(23,952) thousand, respectively. The net (loss) gain of hedged items embedded in hedging instrument for the years ended December 31, 2021 and 2020 amounted to \$(34,644) thousand and \$23,952 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, 2021	December 31, 2020
Bills and bonds sold under repurchase agreements:		
Commercial papers	\$ 29,979	29,984
Government bonds	2,154,936	4,451,906
Financial bonds	1,802,300	1,936,198
Total	<u>\$ 3,987,215</u>	<u>6,418,088</u>
(g) Receivables, Net		
	December 31, 2021	December 31, 2020
Notes receivable	\$ 2,364	634
Accounts receivable	985,183	963,393
Long-term receivables – payment on behalf of the government	15,345,197	15,592,889
Accrued revenues	934,217	1,139,543
Interests receivable	9,384,663	11,081,853
Premiums receivable	110,079	110,495
Tax refund receivable	10	510
Acceptance notes receivable	2,966,081	2,258,954
Accounts receivable factoring without recourse	11,939,078	9,753,258
Others – replenishment of national treasury	7,878,413	8,034,163
Others – undelivered spot exchanges	2,452	-
Other – ATM temporary receipts, payments and interbank differences	2,474,485	2,076,853
Others – FX Swaps	2,105,010	2,035,870
Others – pending settlement	29,824	68,342
Others – exchange the Quintuple stimulus vouchers	4,421,456	-
Others – others	394,705	467,353
Subtotal	58,973,217	53,584,110
Less: allowance for doubtful accounts	188,662	127,151
Total	<u>\$ 58,784,555</u>	<u>53,456,959</u>

(Continued)

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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 \$4,018,723 thousand and \$5,931,823 thousand during 2021 and 2020, respectively, due to executing the government premium savings policy.

As of the year ended December 31, 2021 and 2020, the Bank had paid the following premium savings interest expenses on behalf of the government:

	December 31, 2021	December 31, 2020
Long-term receivables	\$ 15,345,197	15,592,889
Short-term advances (booked under other financial assets, net)	27,959,094	35,259,584
Total	<u>\$ 43,304,291</u>	<u>50,852,473</u>
(h) Loans and Discounts, Net		
	December 31, 2021	December 31, 2020
Discounts and export / import negotiations	\$ 3,561,180	2,460,383
Overdrafts	11,764,760	14,957,375
Secured overdrafts	707,011	1,166,349
Short-term loans	625,949,348	672,839,134
Short-term secured loans	96,565,037	95,902,506
Accounts receivable financing	177,213	113,974
Accounts receivable secured financing	2,055	3,398
Medium-term loans	593,460,052	566,539,567
Medium-term secured loans	313,757,737	309,653,772
Long-term loans	181,983,534	161,650,203
Long-term secured loans	1,154,737,715	1,085,392,659
Non-performing loans	2,532,425	3,195,394
Subtotal	2,985,198,067	2,913,874,714
Less: allowance for doubtful accounts	44,748,580	44,665,903
Add: (Discount) premium adjustment	-	(4,291)
Total	<u>\$ 2,940,449,487</u>	<u>2,869,204,520</u>

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

	2021	2020
Bad debts	\$ (343,353)	(239,706)
Provisions for guarantee liabilities	108,788	(77,477)
Provision for loan commitment liabilities	10,410	2,574
Provision for other liabilities	(37,094)	4,520
Total	<u>\$ (261,249)</u>	<u>(310,089)</u>

(Continued)

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As of December 31, 2021 and 2020, the amounts of loans and receivables on which the interests stopped to accrue were \$2,551,783 thousand and \$3,199,386 thousand, respectively, which were booked under loans and discounts—non-performing loans and other financial assets-overdue receivables. As of December 31, 2021 and 2020, the non accrued interests were \$186,203 thousand and \$195,791 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, 2021	December 31, 2020
Negotiable certificates deposits	\$ 1,302,593	1,304,570
Commercial papers	28,647,775	23,259,650
Government bonds	68,237,210	76,322,371
Foreign government bonds, corporate bonds, financial bonds, and NCDs	43,588,643	33,535,027
Financial bonds	12,775,237	13,541,436
Corporate bonds	9,162,443	8,170,111
Foreign financial asset beneficiary securities	1,254,651	-
	164,968,552	156,133,165
Less: accumulated impairment	(38,978)	(40,113)
	<u>\$ 164,929,574</u>	<u>156,093,052</u>

The Bank has 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 2021 and 2020, the Bank haven't deposited financial assets measured at amortized cost.
(ii) As of December 31, 2021, the Bank's financial assets measured at amortized cost were used as collateral, please refer to 11.

(j) Investments Accounted for Using Equity Method, net

Associates	December 31, 2021	December 31, 2020
	Amount	Amount
Hua Nan Financial Holdings Co., Ltd.	\$ 42,869,612	40,210,079
Tang Eng Iron Works Co., Ltd.	1,246,610	901,078
Tai Yi Real Estate Management Co., Ltd.	24,305	22,203
	<u>\$ 43,880,527</u>	<u>41,133,360</u>

(Continued)

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

	2021	2020
Hua Nan Financial Holdings Co., Ltd.	\$ (530,140)	(239,753)
Tang Eng Iron Works Co., Ltd.	6,551	16,015
Total	<u>\$ (523,589)</u>	<u>(223,738)</u>

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

	2021	2020
Hua Nan Financial Holdings Co., Ltd.	\$ 3,652,919	1,837,192
Tang Eng Iron Works Co., Ltd.	338,982	(142,254)
Tai Yi Real Estate Co., Ltd.	6,032	4,368
Total	<u>\$ 3,997,933</u>	<u>1,699,306</u>

- (iii) Individually significant associate(s)

Associates which are material to the Bank consisted of the followings:

Associate(s)	The relationship with the Bank	Principal operating place/registration country	December 31, 2021	December 31, 2020	The percentage of shareholding interests and voting rights
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 %	21.23 %

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

	December 31, 2021	December 31, 2020
Hua Nan Financial Holdings Co., Ltd.	\$ 59,387,180	49,808,454
1) Summarized Financial Information		
Total Assets	\$ 3,460,953,918	3,101,082,238
Total Liabilities	(3,260,247,111)	(2,911,678,073)
Net Assets	<u>\$ 200,706,807</u>	<u>189,404,165</u>
Attributable to the Bank	<u>\$ 42,609,612</u>	<u>40,210,079</u>

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	2021	2020
Net income	\$ 17,206,321	8,653,483
Other comprehensive income	(2,497,076)	(1,129,275)
Total comprehensive income	\$ 14,709,245	7,524,208
Attributable to the Bank		
Investment income	\$ 3,652,919	1,837,192
Other comprehensive income	(530,140)	(239,753)

- 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 gains were \$3,652,919 thousand and \$1,837,192 thousand for the years ended December 31, 2021 and 2020, respectively.

(iv) All other non-individually-significant associates

- 1) Summarized Financial Information- Attributable to the Bank

	December 31, 2021	December 31, 2020
Investment in non-individually-significant associates in aggregate	\$ 1,270,915	923,281
Investment income		
Other comprehensive income	\$ 345,014	(137,886)
Collateral	6,551	16,015

(v) Collateral

No investment in associates was used as collateral as of December 31, 2021.

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(k) Other Financial Assets, net

	December 31, 2021	December 31, 2020
Short-term advances	\$ 29,795,027	37,529,779
Less: allowance for doubtful accounts – short-term advances	(29,495)	(39,967)
Remittances purchased	1,802	1,454
Less: allowance for doubtful accounts – remittances purchased	(18)	(15)
Overdue receivables	19,358	3,992
Less: allowance for doubtful accounts – overdue receivables	(3,901)	(3,992)
Call loans to security subsidiary	359,515	252,900
Less: allowance for doubtful accounts – call loans to security subsidiary	(4)	-
Others	16,884	19,129
Less: accumulated impairment – others	(8)	(10)
Total	\$ 30,159,160	37,763,270

Concerning for the payment of excess preferential interest on behalf of the government, booked under “short-term advances” for December 31, 2021 and 2020, 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, 2021 and 2020 were as follows:

	Land and Land improvements	Building	Machinery and equipment	Transport equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment	Total
Cost:								
Balance at January 1, 2021	\$ 128,107,502	15,226,200	6,444,612	1,128,752	940,088	863,833	936,523	153,599,310
Additions	-	4,972	280,910	27,032	20,976	12,26	38,221	773,337
Depreciation	-	(84,099)	(230,380)	(77,399)	(33,815)	-	-	(550,393)
Reclassification	-	159,792	583,272	4,694	2,092	12,467	(74,601)	(1714)
Effect of change in exchange rates	-	-	(4,629)	(627)	(1,189)	(5,620)	-	(11,979)
Balance at December 31, 2021	\$ 128,107,502	15,332,925	7,273,811	1,231,021	967,152	871,833	877,133	154,413,668
Balance at January 1, 2020	\$ 128,108,627	14,998,523	6,053,849	1,109,780	956,075	850,117	395,359	152,475,430
Additions	-	23,296	791,852	110,598	31,293	73,69	908,542	1,933,440
Depreciation	-	(13,259)	(229,129)	(92,328)	(60,754)	(483)	-	(502,252)
Reclassification	-	322,616	35,681	2,490	23,646	12,724	(424,378)	(77,821)
Effect of change in exchange rates	-	-	(7,641)	(1,790)	(2,072)	(6,584)	-	(17,667)
Balance at December 31, 2020	\$ 128,107,502	15,216,200	6,844,612	1,128,752	949,688	863,833	939,523	153,599,310

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	Land and Land improvements	Buildings	Machinery and equipment	Transportation equipment	Miscellaneous equipment	Leased improvements	Constructions in progress	Prepayments for equipment	Total
Accumulated depreciation:									
Balance at January 1, 2021	\$ 14,596	72,794,490	4,666,521	775,747	754,342	775,733	-	-	14,566,759
Depreciation	-	315,278	517,081	52,414	310,02	312,14	-	-	945,989
Disposal	-	(47,897)	(202,238)	(93,527)	(316,44)	-	-	-	(317,396)
Effect of change in exchange rates	-	-	(2,779)	(89)	(1,044)	(42,239)	-	-	(46,881)
Balance at December 31, 2021	\$ 14,596	72,661,741	4,979,385	790,415	752,665	802,296	-	-	15,186,471
Balance at January 1, 2020	\$ 14,596	7,301,525	4,465,585	818,729	782,655	765,577	-	-	14,240,075
Depreciation	-	306,011	413,071	49,521	293,07	339,00	-	-	834,010
Disposal	-	(118,068)	(207,846)	(90,273)	(562,14)	(483)	-	-	(471,462)
Effect of change in exchange rates	-	-	(4,146)	(1,256)	(1,536)	(62,261)	-	-	(12,277)
Balance at December 31, 2020	\$ 14,596	7,289,458	4,666,521	775,507	754,415	773,513	-	-	14,466,792
Accumulated impairment:									
Balance at January 1, 2021	\$ 127,637	-	-	-	-	-	-	-	127,637
Reversal of impairment loss	13,532	-	-	-	-	-	-	-	13,532
Balance at December 31, 2021	\$ 141,070	-	-	-	-	-	-	-	141,070
Balance at January 1, 2020	\$ 120,084	-	-	-	-	-	-	-	120,084
Reversal of impairment loss	1,553	-	-	-	-	-	-	-	1,553
Balance at December 31, 2020	\$ 121,637	-	-	-	-	-	-	-	121,637
Carrying amounts:									
December 31, 2021	\$ 127,961,317	7,479,184	2,295,216	304,917	184,496	69,125	577,713	10,846,078	140,868,978
January 1, 2020	\$ 127,967,577	7,087,801	1,588,261	291,651	174,330	165,470	399,359	10,818,918	139,313,357
December 31, 2020	\$ 127,964,699	7,066,758	1,579,691	283,085	174,246	161,00	399,551	10,814,914	138,470,075

The Bank 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, 2021 and 2020, the total revaluation increments for land were \$81,562,920 thousand, both. The total revaluation increments for Buildings were \$34,307 thousand, both.

Based on the assessment in December, 2021, the carrying amount of the lands which have indicators of impairment was determined to be \$168,169 thousand, higher than its recoverable amount of \$154,787 thousand, wherein an impairment loss of \$13,382 thousand was recognized. In 2020, the carrying amount of the lands which have an indicator of impairment was determined to be \$169,852 thousand higher than its recoverable amount of \$168,299 thousand. Therefore, an impairment loss of \$1,553 thousand was recognized.

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, 2021, the Bank's properties and equipments neither served as guarantees or collaterals, nor they were pledged.

(Continued)

(m) Right-of-use assets

Information about leases for which the Bank as a lessee is presented below:

	Land	Buildings	Machinery and equipment	Transportation equipment	Total
Cost:					
Balance at January 1, 2021	\$ 17,337	22,456,607	37,269	112,521	24,128,34
Additions	10,965	579,992	236	2,331	593,524
Disposal	(1,972)	(404,314)	(120)	(2,262)	(406,668)
Effect of changes in exchange rates	(13)	(12,3918)	(164)	(63)	(13,158)
Balance at December 31, 2021	\$ 26,317	2,409,267	37,221	112,527	2,584,532
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)	-	-	(11,573)
Balance at December 31, 2020	\$ 17,337	2,245,607	37,269	112,521	24,128,34
Accumulated depreciation:					
Balance at January 1, 2021	\$ 7,611	895,154	15,230	47,764	965,759
Depreciation	6,152	544,609	9,982	37,697	597,930
Disposal	(1,956)	(399,033)	(120)	(2,261)	(394,370)
Effect of changes in exchange rates	(5)	(6,137)	(105)	(11)	(6,241)
Balance at December 31, 2021	\$ 11,799	1,040,600	24,987	83,197	1,160,598
Balance at January 1, 2020	\$ 4,494	505,824	6,240	32,497	549,135
Depreciation	5,080	537,915	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)	(28)	-	(4,354)
Balance at December 31, 2020	\$ 7,611	895,154	15,230	47,764	965,759
Carrying value:					
December 31, 2021	\$ 14,518	1,368,294	12,334	29,338	142,1474
December 31, 2020	\$ 9,726	1,350,453	22,139	64,757	144,7075

(n) Investment property

- (i) Changes in the investment properties of the Bank and subsidiary for the year ended 2021 and 2020 were as follows:

	Land
Cost:	
Balance at December 31, 2021	\$ 15,238,207
Balance at December 31, 2020	\$ 15,238,207
Carrying amounts:	
December 31, 2021	\$ 15,238,207
January 1, 2020	\$ 15,238,207
December 31, 2020	\$ 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

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

	December 31, 2021	December 31, 2020
The fair value of investment property	\$ 17,285,970	16,301,209
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 executing assessment reference recent market price, the valuation technique is consistency from investment property of acquisition. As of December 31, 2021 and 2020, after evaluating, the Bank did not recognized impairment loss.

(iii) As of December 31, 2021 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 2021 and 2020 were as follows:

	Computer software
Costs:	
Balance at January 1, 2021	\$ 4,708,760
Additions	436,487
Balance at December 31, 2021	\$ 5,145,247
Balance at January 1, 2020	\$ 4,257,010
Additions	451,750
Balance at December 31, 2020	\$ 4,708,760

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Computer software

	December 31, 2021	December 31, 2020
Amortization:		
Balance at January 1, 2021	\$ 3,727,893	
Amortization for the year	363,986	
Balance at December 31, 2021	\$ 4,091,879	
Balance at January 1, 2020	\$ 3,383,213	
Amortization for the year	344,680	
Balance at December 31, 2020	\$ 3,727,893	
Carrying amounts:		
December 31, 2021	\$ 1,053,568	
January 1, 2020	\$ 873,797	
December 31, 2020	\$ 980,867	
(p) Other Assets		
	December 31, 2021	December 31, 2020
Foreclosed collaterals and residuals taken over, net	\$ 1,007,162	1,009,493
Advance payments	21,854,362	9,941,404
Operating guarantee deposits and settlement funds	10,000	10,000
Refundable deposits	1,542,528	2,298,172
Temporary Payments and Suspense Accounts	3,022,857	2,859,185
Inventories	342,186	396,343
Others	162,206	247
Total	\$ 27,941,301	16,514,844
(i) Foreclosed collaterals and residuals taken over, net		
	December 31, 2021	December 31, 2020
Foreclosed collaterals and residuals taken over	\$ 1,007,162	1,014,528
Less: allowance for impairment	-	5,035
Total	\$ 1,007,162	1,009,493

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(ii) Advance payments

	December 31, 2021	December 31, 2020
Prepaid expenses	\$ 163,260	118,573
Prepaid interests	15,453	9,777
Business tax paid	953	-
Business tax carry forward	923	678
Other prepayment – Interbank Fund Transfer Special Accounts	19,432,096	7,602,154
Other prepayments	59,701	84,310
Prepaid official dividends	2,181,976	2,125,912
Total	<u>\$ 21,854,362</u>	<u>9,941,404</u>

(iii) Inventories

	December 31, 2021	December 31, 2020
Inventories	<u>\$ 342,186</u>	<u>396,343</u>

There were no effects on the cost of goods sold derived from the inventory write-off or reversal for the year ended 2021 and 2020.

(q) Impairment

For the year ended 2021 and 2020, the movements of the accumulated impairment were as follows:

	2021	2020
Beginning balance	\$ 292,563	263,990
Impairment loss (reversal gain) recognized for the current period	(6,435)	33,992
Other	(6,910)	(5,419)
Ending balance	<u>\$ 279,218</u>	<u>292,563</u>

Details of accumulated impairment were as follows:

	December 31, 2021	December 31, 2020
Financial assets at fair value through other comprehensive income	\$ 99,213	119,768
Financial assets measured at amortized cost	38,978	40,113
Other financial assets	8	10
Property and equipment	141,019	127,637
Other assets	-	5,035
Ending balance	<u>\$ 279,218</u>	<u>292,563</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(r) Deposits of Central Bank and other banks

	December 31, 2021	December 31, 2020
Deposits from Central Bank	\$ 11,698,486	11,755,517
Deposits from banks – others	61,077,375	48,799,116
Postal deposits transferred	77,090	77,090
Bank overdrafts	1,987,015	865,759
Call loans from bank	226,735,887	206,950,226
Total	<u>\$ 301,575,853</u>	<u>268,447,708</u>

(s) Due to the Central Bank and banks

	December 31, 2021	December 31, 2020
Loans from Central Bank	\$ 36,170,330	15,849,400

(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:

	December 31, 2021	December 31, 2020
Financial liabilities held for trading	\$ 6,147	2,811
Add: valuation adjustment	6,052,608	17,770,162
Subtotal	6,058,755	17,772,973
Financial liabilities designated as fair value through profit or loss	12,997,850	13,207,000
Add: valuation adjustment	621,926	1,357,305
Subtotal	13,619,776	14,564,305
Total	<u>\$ 19,678,531</u>	<u>32,337,278</u>

(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

	December 31, 2021	December 31, 2020
Foreign exchange options premium	\$ 6,147	2,811
Add: valuation adjustment	(2,298)	(1,106)
Foreign exchange options premium	5,080,390	15,910,715
Swaps	438,666	959,737
Interest rate swaps	119,769	177,307
Forward foreign exchanges	416,081	636,341
Asset swaps	-	87,168
Cross currency swaps	-	-
Total	<u>\$ 6,058,755</u>	<u>17,772,973</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

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

	December 31, 2021	December 31, 2020
Financial bonds	\$ 12,997,850	13,207,000
Add: valuation adjustment	621,926	1,357,305
Total	<u>\$ 13,619,776</u>	<u>14,564,305</u>

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 and 2018-1 Senior Unsecured Financial Bonds, denominated in U.S. dollar. The financial bonds amounted to USD \$470 million are outstanding in 2021.

The details of the financial bonds were as follow:

Name of bond	Beginning date	Maturity date	Conditions	Coupon rate	Face value	Type	Amount	
							December 31, 2021	December 31, 2020
2017-1 Senior unsecured financial bond-B	2018/02/26	2148/02/26	0 %	USD \$470 million		Senior unsecured financial bond	\$ 12,997,850	13,207,000
						Valuation adjustment	621,926	1,357,305
							<u>\$ 13,619,776</u>	<u>14,564,305</u>

For the bonds issued in 2018, the call option may be exercised 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.

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

	December 31, 2021	December 31, 2020
Foreign exchange options premium	\$ 1,413,693	551,500
Swaps		
Interest rate swaps	643,464,329	651,796,330
Forward foreign exchanges	12,273,638	19,010,754
Asset swaps	18,889,712	21,371,462
Cross currency swaps	6,620,607	2,259,240
Total	<u>\$ 682,661,979</u>	<u>696,075,686</u>

(Continued)

(u) Payables

	December 31, 2021	December 31, 2020
Accounts payables	\$ 9,623,493	5,542,682
Receipts under custody	1,012,546	884,192
Accrued expenses	3,092,515	2,927,291
Other tax payables	405,549	427,945
Interests payables	8,979,419	10,115,243
Banker's acceptances payables	3,003,545	2,265,741
Payables to representative organizations	845,678	612,917
Construction payables	7,371	2,197
Accounts payables – non-recourse factoring	384,320	281,542
Other payables – undelivered spot exchange	2,286	874
Other payables – collection bills	1,037,520	2,702,515
Other payables – payments awaiting transfer	9,675,059	8,144,868
Other payables – ATM temporary receipts, payments and inter branch differences	2,623,423	2,377,220
Other payables – foreign exchange awaiting transfer	787,048	736,863
Other payables – amounts awaiting settlement	221,671	3,915,606
Other payables – overdue accounts	297,373	229,270
Other payables – checking accounts	82,707	102,673
Other payables – collection	11,215	7,724
Other payables – others	391,105	376,521
Total	<u>\$ 42,483,843</u>	<u>41,653,884</u>

(v) Deposits and Remittances

	December 31, 2021	December 31, 2020
Cheques deposits	\$ 52,203,361	41,081,024
Government deposits	374,693,912	330,759,861
Demand deposits	541,607,942	500,763,909
Time deposits	665,056,681	658,472,401
Remittances	792,440	712,444
Savings account deposits:		
Demand savings deposits	1,130,747,168	1,084,523,034
Staff accounts	13,464,897	14,328,338
Club saving deposits	422,452	508,863
Non-drawing time savings deposits	424,056,607	421,309,465
Interest withdrawal on principal deposited	767,547,030	779,880,569
Staff time deposits	11,841,163	10,603,005
Preferential Interest deposits	227,163,463	329,795,927
Total	<u>\$ 4,209,597,116</u>	<u>4,172,738,840</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(w) Financial Bonds Payable

Name of bond	Condition			Bond	
	Beginning date	Maturity date	Interest rate	Type	Amount December 31, 2021 December 31, 2020
2013-1 TWD subordinated unsecured financial bonds	2013/1/22	2023/1/22	The Bank's listed annual fixed interest rate of time deposits, plus 0.39%.	Subordinated unsecured financial bond	\$ 16,000,000 16,000,000
2014-1 TWD subordinated unsecured financial bonds-A	2014/06/25	2024/06/25	TAIBOR 3M plus 0.39%.	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 0.39%.	Subordinated unsecured financial bond	1,500,000 1,500,000
2021-1 TWD senior unsecured financial bonds	2021/08/27	2026/08/27	0.39%	Senior unsecured financial bond	1,000,000 -
Total			unamortized discount amount		<u>\$ 25,999,058</u> <u>24,999,085</u> (942) (915)

(x) Other Financial Liabilities

	December 31, 2021	December 31, 2020
Appropriated loan funds	\$ 7,179	11,263
Principal from structured products	416,037	913,408
Total	<u>\$ 423,216</u>	<u>924,671</u>

(y) Provision

	December 31, 2021	December 31, 2020
Employee benefit obligations	\$ 21,725,121	19,639,870
Guarantee reserve	921,842	1,030,971
Reserve for government employees insurance	453,664,223	399,177,462
Loan commitments reserve	5,674	16,279
Others	410,132	373,257
Total	<u>\$ 476,726,992</u>	<u>420,237,839</u>

(z) Provisions – Employee benefits

	December 31, 2021	December 31, 2020
Recognized in Consolidated Balance Sheet:		
Defined benefit plan	\$ 14,523,288	13,454,113
Employees preferential interest	7,196,614	6,181,508
Three Chinese festival bonus	5,219	4,249
Total	<u>\$ 21,725,121</u>	<u>19,639,870</u>

(Continued)

(i) BOT

1) Defined contribution plans

The Bank has 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 lump sum in the future. The pension costs recognized under the defined contribution plans were \$3,438 thousand and \$3,060 thousand for the years ended December 31, 2021 and 2020, 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 \$21.6 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 \$37 thousand if there are dependents.

The balances of pension account were \$1,316,533 thousand and \$1,297,169 thousand as of December 31, 2021 and 2020, respectively. The Bank expects to contribute \$1,009,971 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	11.80 year
Employee care bonuses during the three Chinese festivals	11.80 year

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

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, 2021	December 31, 2020
Present value of the defined benefit obligations	\$ 22,897,637	21,805,955
Less: fair value of the plan assets	(8,381,128)	(8,349,910)
Net defined benefit liabilities (assets)	<u>\$ 14,516,509</u>	<u>\$ 13,456,045</u>

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

	2021	2020
Defined benefit obligation at January 1	\$ 21,805,955	20,731,922
Current service costs	878,994	829,104
Interest expense	152,642	155,490
Remeasurements of the defined benefit plans of other Comprehensive Income		
— Actuarial gains and losses in demographic changes in assumptions	495,535	-
— Actuarial gains and losses in financial changes in assumptions	(131,128)	126,094
— Experience adjustments	844,791	1,028,246
Contributed by the participant of the plan	-	1,060
Benefit payments	(1,149,152)	(1,065,961)
Defined benefit obligation at December 31	<u>\$ 22,897,637</u>	<u>\$ 21,805,955</u>

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

	2021	2020
Fair value of plan assets at January 1	\$ 8,349,910	8,189,461
Interest revenue	58,449	61,421
remeasurements of defined benefit plans of other comprehensive income		
— Return on plan assets	26,454	102,624
Contribution made by the Bank	1,011,111	985,518
Benefit payments	(1,064,796)	(989,114)
Fair value of plan assets at December 31	<u>\$ 8,381,128</u>	<u>\$ 8,349,910</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

d) Expense recognized in profit or loss

	2021	2020
Current service cost	\$ 878,994	829,104
Net interest of defined benefit liabilities (assets)	94,193	94,069
Total	<u>\$ 973,187</u>	<u>\$ 923,173</u>

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, 2021 and 2020, was as follows:

	2021	2020
Accumulated amount at January 1	\$ (7,213,783)	(6,162,067)
Recognized during the period	(1,182,744)	(1,051,716)
Accumulated amount at December 31	<u>\$ (8,396,527)</u>	<u>\$ (7,213,783)</u>

f) Portfolio analysis of plan asset

	2021	2020
Bak saving	\$ 6,314,595	4,042,010
Bonds instruments	750,000	3,010,731
Others	1,316,533	1,297,169
Total	<u>\$ 8,381,128</u>	<u>\$ 8,349,910</u>

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, 2021	December 31, 2020
Discount rate	0.75 %	0.70 %
Assets expected rate of return	0.75 %	0.70 %
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 and sixth round of the Taiwan Life Experience Life Table during 2021 and 2020, respectively.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

b) Sensitivity analysis

The followings would be the impacts on the present value of defined benefit obligations as of December 31, 2021 and 2020 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, 2021			
Discount rate			
Defined benefit plans	0.25%	\$ 22,189,440	23,560,612
Employee care bonus during the three Chinese Festivals	0.25%	5,166	5,272
Salary increase rate	0.50%	24,097,968	21,781,014
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

The aforementioned sensitivity 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 sensitivity analysis.

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

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

3) Employee preferential interest plan

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:

	December 31, 2021	December 31, 2020
Fair value of the Employees preferential interest plan	\$ 7,196,614	6,181,508
Limit of assets adjustment	-	-
Net defined benefit liabilities (assets)	\$ 7,196,614	6,181,508

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

	2021	2020
Present value of employees preferential interest plan at January 1	\$ 6,181,508	6,181,930
Interest expense	247,260	247,277
Remeasurement of net employees preferential deposit		
– Actuarial gains and losses in demographic changes in assumptions	703,780	-
Actuarial gains and losses in current period	2,070,177	1,780,417
Contributed by the participant of the plan	-	3,654
Benefit paid by the plan	(2,006,111)	(2,031,770)
Present value of employees preferential interest plan at December 31	\$ 7,196,614	6,181,508

c) Expense recognized in profit or loss

	2021	2020
Net interest of employees preferential deposit	\$ 247,260	247,277
Actuarial gains and losses in current period	2,070,177	1,780,417
Total (booked under employee benefits expense, note 6(ak))	\$ 2,317,437	2,027,694

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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- d) Re-measurement of net defined benefit liability recognized in other comprehensive income

	2021	2020
Accumulated amount at January 1	\$ -	-
Recognized during the period	703,780	-
Accumulated amount at December 31	<u>\$ 703,780</u>	<u>-</u>

- e) Actuarial assumptions

	2021	2020
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	0.865 %	1.165 %

- f) Sensitivity analysis

The followings would be the impacts on the present value of defined benefit obligations as of December 31, 2021 and 2020 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, 2021				
Discount rate	0.25 %	\$ 7,059,496		7,338,763
December 31, 2020				
Discount rate	0.25 %	6,073,600		6,293,110

The aforementioned sensitivity 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 sensitivity analysis.

(Continued)

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

- g) 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 \$1,929,206 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:

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	\$ 65,068	59,266
Fair value of the plan assets	(53,070)	(56,949)
Net defined liabilities (assets)	<u>\$ 11,998</u>	<u>2,317</u>

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 \$53,070 thousand at the end of the reporting period.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- 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, 2021 and 2020, were as follows:

	2021	2020
Defined benefit obligation at January 1	\$ 59,266	\$ 58,452
Current service costs and interest	5,662	5,419
Remeasurements of the defined benefit plans in other comprehensive income		
– Actuarial gains and losses in demographic changes in assumptions	2,444	-
– Actuarial gains and losses in financial changes in assumptions	1,158	4,551
– Experience adjustment	7,354	(9,156)
Benefits paid by the plan	(10,816)	-
Defined benefit obligation at December 31	\$ 65,068	\$ 59,266

- 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, 2021 and 2020, were as follows:

	2021	2020
Fair value of plan assets at January 1	\$ 56,949	\$ 50,555
Remeasurements of defined benefit plans in other comprehensive income		
– Return on plan assets(not including current interest)	274	(26)
Contribution made by the Bank	6,381	5,861
Interest revenue	282	559
Benefit payments	(10,816)	-
Fair value of plan assets at December 31	\$ 53,070	\$ 56,949

- d) Expense recognized in profit or loss

BTIB expenses recognized in profit or loss at December 31, 2021 and 2020, were as follows:

	2021	2020
Current service cost	\$ 5,383	\$ 4,787
Net interest of the net defined liabilities (assets)	(3)	73
	\$ 5,380	\$ 4,860

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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- 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, 2021 and 2020, was as follows:

	2021	2020
Accumulated amount at January 1	\$ 1,316	\$ 5,895
Recognized during the period	10,682	(4,579)
Accumulated amount at December 31	\$ 11,998	\$ 1,316

- f) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	0.49 %	0.51 %
Future of salary increases	3.00 %	3.00 %

The expected payment made by BTIB to the defined benefit plans within one year after the reporting date is \$5,776 thousand.

Weighted average duration of the defined contribution plan is 13 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, 2021 and 2020 if the actuarial assumptions change as follows:

	December 31, 2021	December 31, 2020
Discount rate	62,805	67,482
Future of salary increases	67,097	63,140
Discount rate	57,357	61,285
Future of salary increases	60,986	57,620

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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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 2021 and 2020.

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-Chia-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:

	December 31, 2021	December 31, 2020
Carrying amounts	\$ 1,319,965	\$ 1,323,312
For the maturity analysis, please refer to note 8(d).		
The amounts recognized in profit or loss were as follows:		
Interest on lease liabilities	\$ 16,531	\$ 16,687
Variable lease payments not included in the measurement of lease liabilities	\$ 2,686	\$ 2,398
Expenses relating to short-term leases	\$ 2,315	\$ 1,906
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 1,863	\$ 1,651
Covid-19-related rent concessions (recognized as other income)	\$ (20,655)	\$ (18,570)

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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The amounts recognized in the statement of cash flows for Bank and subsidiary were as follows:

	2021	2020
Total cash outflow for leases	\$ 626,641	\$ 601,668

(i) Real estate leases

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:

	December 31, 2021	December 31, 2020
Less than one year	\$ 123,928	\$ 151,654
One to two years	59,760	80,570
Two to three years	36,367	19,741
Three to four years	13,091	7,351
Four to five years	665	2,378
Total undiscounted lease payments	\$ 233,811	\$ 261,694

The Bank provided the lessees deferred rent payment and rent concessions in accordance with the government's policy for Covid-19 pandemic since 2020. As of December 31, 2021 and 2020, the amount of deferred rent payment is \$144,670 thousand and \$8,401 thousand respectively; rent concessions is \$90,601 thousand and \$87,852 thousand respectively.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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(ac) Other Liabilities

	December 31, 2021	December 31, 2020
Advance collections	\$ 1,767,677	2,211,407
Guarantee deposits received	4,611,920	7,698,089
Temporary receipt and suspense accounts	533,884	34,210
Other liabilities to be settled	8,239	8,239
Compensation arising from land revaluation	1,264,803	1,264,803
Deferred revenue	12,722	-
Total	\$ 8,199,245	11,216,748

(ad) Income Tax Expenses

(i) Income Tax expenses (benefits)

The income tax expenses for December 31, 2021 and 2020 were as follows:

	2021	2020
Current income tax expense		
Occurred in the current period	\$ 1,500,655	794,027
Current income tax expense from adjustment of prior period	-	(359,922)
Current income tax expense	1,500,655	434,105
Deferred tax expense		
Occurrence and reversal of temporary difference	181,299	393,950
Income tax expenses	\$ 1,681,954	828,055

Income tax expenses (benefits) recognized directly in other comprehensive income for 2021 and 2020 were as follows:

	2021	2020
(Gains) losses on debt instruments measured at fair value through other comprehensive income	\$ (1,532)	13,137

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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The amount of tax expense (income) recognized in other comprehensive income for in 2021 and 2020 were as follows:

	2021	2020
Profit before tax	\$ 16,963,242	12,343,405
Income tax using the Bank's domestic tax rate (20%)	3,392,648	2,468,681
Effects of changes in foreign exchange rates	455,382	472,777
Non-deductible profits and losses	125,174	(296,408)
Cessation of transfer tax on stocks	(167,151)	(85,691)
Reinvestment gain exemption (dividends)	(1,559,586)	(967,740)
Unrecognized losses from deferred income tax assets in current period	-	69,907
Unrecognized temporary variance	(65,023)	(219,690)
Under-(Over-)estimation in prior period	-	(359,922)
Income basic tax	-	344,495
Income exemption of Offshore Banking Unit	(499,490)	(598,582)
Others	-	228
Total	\$ 1,681,954	828,055

1) Unrecognized Deferred Tax Assets

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

	December 31, 2021	December 31, 2020
Deductible Temporary Differences	\$ 5,445,276	5,438,087

2) Recognised Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for December 31, 2021 and 2020 are as follows:

Deferred Tax Assets:

	Fair Value Gains	Others	Total
Balance at January 1, 2021	\$ 196,405	427,411	623,816
Recognized in profit or loss	(126,497)	(32,430)	(158,927)
Recognized in other comprehensive income	(8,124)	-	(8,124)
Balance at December 31, 2021	\$ 61,784	394,981	456,765
Balance at January 1, 2020	\$ 200,572	703,225	903,797
Recognized in profit or loss	4,521	(275,814)	(271,293)
Recognized in other comprehensive income	(8,688)	-	(8,688)
Balance at December 31, 2020	\$ 196,405	427,411	623,816

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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Deferred Tax Liabilities:

	Land Value Increment	Fair Value Gains	Others	Total
Balance at January 1, 2021	\$ 18,071,412	289,115	-	18,360,527
Recognized in profit or loss	-	22,372	-	22,372
Recognized in other comprehensive income	-	(9,656)	-	(9,656)
Balance at December 31, 2021	\$ 18,071,412	301,831	-	18,373,243
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	\$ 18,071,412	289,115	-	18,360,527

(ii) The Bank's income tax returns has been audited by the MoA up until 2020 and examined by the National Tax Administration up until 2019.

(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, 2021 and 2020, the Bank's authorized and issued shares of common stocks were both 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.

(Continued)

(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.

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BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(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, 2021	\$ (2,807,269)	57,580,400	(86,229)	3,987	40,090	54,730,979
Exchange differences on translation of foreign operations	(473,744)	-	-	-	-	(473,744)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	8,199,065	-	-	-	8,199,065
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(85,218)	-	-	-	(85,218)
Gains (losses) of associates and joint ventures accounted for using equity method on financial Instruments for hedging	-	-	-	112	-	112
Change in fair value of financial liability attributable to change in credit risk of liability	-	-	66,727	-	-	66,727
Other Comprehensive income reclassified by applying overlay approach	-	-	-	-	25,799	25,799
Balance at December 31, 2021	<u>\$ (3,281,013)</u>	<u>65,694,247</u>	<u>(19,502)</u>	<u>4,099</u>	<u>65,889</u>	<u>62,463,720</u>

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BANK OF TAIWAN AND SUBSIDIARY
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	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)	60,751,921	(109,236)	3,955	29,332	59,325,749
Exchange differences on translation of foreign operations	(1,457,046)	-	-	-	-	(1,457,046)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(3,544,337)	-	-	-	(3,544,337)
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	-	-	-	32	-	32
Change in fair value of financial liability attributable to change in credit risk of liability	-	-	23,007	-	-	23,007
Other Comprehensive income reclassified by applying overlay approach	-	-	-	-	10,758	10,758
Balance at December 31, 2020	<u>\$ (2,807,269)</u>	<u>57,580,400</u>	<u>(86,229)</u>	<u>3,987</u>	<u>40,090</u>	<u>54,730,979</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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(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;
- 2) to offset prior years losses;
- 3) to appropriate 30% as legal reserve;
- 4) special reserve

In addition to appropriating 20-40% of residual earnings as special reserve, in accordance with the Order No. 1100208161 issued by the FSC on May 12, 2021, 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 net reduction of other shareholder's equity. 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) According to "Guidelines for Dividends or Bonus or Profits to Be Paid to The National Treasury of The State-owned Enterprises", the Bank distributed its earnings to the National Treasury in April, July, October, and December evenly and recognized them in the consolidated financial statements accordingly. The distributed amount will be adjusted in the final accounting of the Executive Yuan and National Audit Office. For the prepaid dividends of the Bank as of December 31, 2021 and 2020, please refer to note 6 (p).

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Notes to the Consolidated Financial Statements

(af) Net interest income

	2021	2020
Interest income:		
Loans and discounts	\$ 35,347,839	37,021,424
Placement with Central Bank and call loans to banks	4,329,729	6,654,715
Securities investment	7,927,515	9,225,305
Credit cards	18,809	21,288
Others	664,854	1,130,036
Subtotal	48,288,746	54,052,768
Interest expense:		
Deposits from customers	17,207,111	24,101,476
Deposits of Central Banks and other banks	1,121,679	2,058,763
Loans to Central Banks and other banks	29,827	4,542
Bonds sold under repurchased agreements	8,537	70,780
Financial bonds	252,226	270,694
Structured deposits	7,870	18,394
Others	23,453	40,106
Subtotal	18,650,703	26,564,755
Net interest income	<u>\$ 29,638,043</u>	<u>27,488,013</u>

(ag) Service fees, net

	2021	2020
Service fees revenue:		
Trust services	\$ 1,092,610	1,061,954
Custody services	134,166	136,498
Foreign exchange business	167,948	173,125
Credit business	445,544	557,047
Credit card services	183,885	139,782
Deposit, remittance and other services	3,258,858	3,499,082
Subtotal	5,283,011	5,567,488
Service fees expense:		
Trust services	70,640	84,799
Custody services	22,189	26,339
Credit card services	191,184	140,506
Deposit, remittance and other services	479,877	483,525
Subtotal	763,890	735,169
Service fees, net	<u>\$ 4,519,121</u>	<u>4,832,319</u>

(Continued)

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

	2021	2020
Gain on financial assets or liabilities measured at fair value through profit or loss:		
Dividend income	\$ 5,467,241	4,720,717
Net interest profit (loss)	94,508	(105,472)
Net gain on disposal	5,979,876	4,322,048
Subtotal	11,541,625	8,937,293
Net gain on valuation	39,368,044	47,585,742
Total	<u>\$ 50,909,669</u>	<u>\$ 56,523,035</u>

(ai) Realized gains (losses) on financial assets measured at fair value through other comprehensive income

	2021	2020
Dividend income	\$ 3,698,425	3,184,423
Gain on disposal	757,573	361,482
Total	<u>\$ 4,455,998</u>	<u>\$ 3,545,905</u>

(aj) Foreign exchange gain or loss

	2021	2020
Foreign exchange gains	\$ 4,919,142	7,916,216
Foreign exchange losses	(6,921,891)	(12,322,340)
Total	<u>\$ (2,002,749)</u>	<u>\$ (4,406,124)</u>

(ak) Other non-interest income

	2021	2020
Premiums income	\$ 23,627,599	23,623,153
Sales revenue	130,711,150	126,012,248
Subsidized income from government	7,721,076	7,784,351
Benefits and claims	(22,963,851)	(21,988,989)
Cost of goods sold	(130,300,019)	(125,165,377)
Provisions for policy holders' reserve premium	(54,486,760)	(57,438,873)
Excess preferential interest expenses	(6,842,858)	(8,470,186)
Others	51,524	132,462
Total	<u>\$ (52,482,139)</u>	<u>\$ (55,511,211)</u>

(Continued)

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(al) Employee benefits expenses

	2021	2020
Salaries	\$ 12,052,621	11,826,246
Labor and health insurances	570,169	530,149
Pensions	1,010,681	958,418
Remuneration of directors	2,456	2,472
Others	204,197	211,166
Total	<u>\$ 13,840,124</u>	<u>\$ 13,528,451</u>

(am) Depreciation and amortization expenses

	2021	2020
Depreciation expenses	\$ 1,491,529	1,371,359
Amortization expenses	365,349	346,220
Total	<u>\$ 1,856,878</u>	<u>\$ 1,717,579</u>

(an) Other general and administrative expenses

	2021	2020
Taxes	\$ 2,664,865	2,763,298
Rental expenses	6,864	5,955
Insurance expenses	1,022,293	985,496
Postage and phone / fax expenses	224,393	226,652
Utilities	173,320	175,897
Supplies expenses	203,713	176,131
Repair and maintenance expenses	412,005	405,574
Marketing expenses	326,253	324,732
Professional service fees	731,141	776,991
Cashes transferring expenses	30,001	58,177
Others	325,970	338,824
Total	<u>\$ 6,120,818</u>	<u>\$ 6,237,727</u>

(ao) Earnings per Share

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

	2021	2020
Consolidated net income	<u>\$ 16,963,242</u>	<u>\$ 15,281,288</u>
Weighted average outstanding shares	<u>10,900,000</u>	<u>10,900,000</u>
Basic earnings per share (in dollars)	<u>\$ 1.56</u>	<u>\$ 1.40</u>

Unit: thousand dollars / thousand shares

(Continued)

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(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 cases, 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 participants 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.

(Continued)

(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, 2021 and 2020 are as follows:

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Financial instruments measured at fair value				
Non-derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 351,959,904	331,794,053	19,956,631	209,220
Financial assets designated as fair value through profit or loss	12,773,485	-	12,773,485	-
Investment in bonds	12,773,485	-	12,773,485	-
Financial assets mandatorily as fair value through profit or loss	339,186,419	331,794,053	7,183,146	209,220
Investments in stocks	170,538,184	170,328,964	-	209,220
Investment in bonds	8,147,672	964,526	7,183,146	-
Others	160,300,563	160,300,563	-	-
Financial assets at fair value through other comprehensive income	995,955,988	700,800,353	271,397,441	23,758,194
Debt instruments	884,006,038	612,608,597	271,397,441	-
Equity instruments	111,949,950	88,191,756	-	23,758,194
Liabilities:				
Financial liabilities designated at fair value through profit or loss	13,619,776	-	13,619,776	-
Derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 3,573,365	59,514	3,513,851	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	6,058,755	-	6,058,755	-
Hedging derivatives financial liabilities	16,241	-	16,241	-

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	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial instruments measured at fair value				
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	14,131,949	14,112,059	-	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
Liabilities:				
Debt instruments	898,665,741	672,435,597	226,230,144	-
Equity instruments	92,402,173	68,364,768	-	24,137,405
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	-

(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.

(Continued)

When a quoted price of a financial instrument is timely available in a stock exchange or an 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 a 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.

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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.

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- (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, 2021 and 2020 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, 2021	\$ 198,390		24,137,405	24,335,795
Total gains and losses recognized:				
In profit or loss	10,830			10,830
In other comprehensive income	-		(379,211)	(379,211)
Ending Balance, December 31, 2021	<u>\$ 209,220</u>		<u>23,758,194</u>	<u>23,967,414</u>
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>198,390</u>		<u>24,137,405</u>	<u>24,335,795</u>

- (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 changes in one or more of the parameters or assumptions may lead to a different result.

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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, 2021 and 2020. 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:

2021			
Item	Valuation technique	Significant unobservable inputs	Inter-relationship 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	Positive
		P/B ratio	Positive
		EV/Operating revenue	Positive
		EV/EBITDA	Positive
		Linear Square Monte Carlo Simulation(LSM)	Positive
Income approach		Cash dividend growth rate	Positive
		Cash dividend payout ratio	Positive
		Discounted cash flow	Negative
The asset approach		Fair value of asset liability	Positive
		Liquidity discount rate	Negative

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2020			
Item	Valuation technique	Significant unobservable inputs	Inter-relationship 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	Positive
		P/B ratio	Positive
		EV/Operating revenue	Positive
		EV/EBITDA	Positive
		EV/Total assets	Positive
Liquidity discount rate		Liquidity discount rate	Negative

(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, 2021		
Financial Assets		
Financial Assets measured at amortized cost	\$ 164,929,574	166,477,209
December 31, 2020		
Financial Assets		
Financial Assets measured at amortized cost	156,093,052	160,660,795
Fair value hierarchy		

(ii) Fair value hierarchy

December 31, 2021			
Assets and liabilities item	Total	Quoted prices in active markets for identical asset (Level1)	Significant other observable inputs (Level2)
Financial Assets:			
Financial Assets measured at amortized cost	\$ 166,477,209	86,504,862	79,972,347
			-

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	December 31, 2020		
	Quoted prices in active markets for identical asset (Level1)	Significant other observable inputs (Level2)	Significant unobservable inputs (Level3)
Assets and liabilities item	Total		
Financial Assets:			
Financial Assets measured at amortized cost	\$ 160,660,795	76,747,568	83,913,227

(ii) The methods and assumptions to estimate the financial instruments not measured at fair value are as follows.

- 1) 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.
- 2) 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.

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- 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 principles of risk management are as follows:

- (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.

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- (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 from 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 from 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.

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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.

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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:

- 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.
- 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.
- 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.
- 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.

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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
Low	1	1	1
	2	2	
	3	3	2
	4		
Moderate	5	4	3
	6	5	4
	7		5
	8	6	
High	9		6
	10		
	11	7	7
	12		8
	13		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.

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- 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 Bank and subsidiary 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 more 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.

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- 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' AA- at the reporting date. (Note) | | |
| 2. The credit rating of a counterparty falling between Moody's A3 and Baa3 or equivalent drops within 4 levels during the period of the transaction date and each reporting date. | Not assessed as Stage 1, but the credit of counterparty is not actually impaired. | 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.

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- 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.

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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 re-recognition of the financial assets at fair value, in accordance with the Bank's and subsidiary's policy (Please see note 4(f)).

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.

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.

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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 2021 and 2020, respectively.

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 connect 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 reduced PD.

2. Otherwise, the PD will remain unchanged.

(iv) Management of maximum exposure to credit risk and excessive risk concentration

1) 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

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.

(Continued)

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11) As of December 31, 2021 and 2020, the amounts of maximum credit risk exposure to the credit risk displayed by credit rating are as follows:

(Continued)

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Letter of Credit Receivables and Guarantee for Trade Receivables				
December 31, 2021				
	12 month ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating				
Low	\$ 77,055,537	-	-	77,055,537
Medium	42,110,424	2,810,405	85,243	45,006,072
High	230,888	75,628	45,090	351,806
Others	10,673,463	350,945	-	11,024,408
Gross carrying amount	130,070,312	3,237,178	130,333	133,437,823
Allowance for bad debts(Guarantee reserve and other reserve)	(302,018)	(19,255)	(51,902)	(373,175)
Impairment recognized in accordance with "Regulations Governing the Procedures for Evaluation Assets and Deal with Nonperforming / Nonaccrual Loans				(958,799)
Total	\$ 129,768,294	3,217,923	78,431	133,064,648
Letter of Credit Receivables and Guarantee for Trade Receivables				
December 31, 2020				
	12 month ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating				
Low	\$ 67,519,965	-	-	67,519,965
Medium	56,425,332	3,107,384	885,353	60,418,089
High	85,177	464,112	59,054	608,343
Others	10,794,870	428,643	-	11,223,514
Gross carrying amount	134,825,344	4,000,139	944,408	139,769,911
Allowance for bad debts(Guarantee reserve and other reserve)	(425,959)	(66,713)	(62,802)	(555,474)
Impairment recognized in accordance with "Regulations Governing the Procedures for Evaluation Assets and Deal with Nonperforming / Nonaccrual Loans				(848,754)
Total	\$ 134,399,405	3,933,426	881,606	139,214,437

(Continued)

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Loan Commitments				
December 31, 2021				
	12 month ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating				
Low	\$ 2,080,000	-	-	2,080,000
Others	250,557,425	195,051	427	250,752,903
Gross carrying amount	252,637,425	195,051	427	252,832,903
Allowance for bad debts (Loan commitments reserve)	(4,964)	(534)	(176)	(5,674)
Total	\$ 252,632,461	194,517	251	252,827,229
Loan Commitments				
December 31, 2020				
	12 month ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating				
Low	\$ 64,144,18	-	-	64,144,18
Others	154,476,005	203,568	777	154,680,350
Gross carrying amount	160,890,233	203,568	777	161,094,578
Allowance for bad debts (Loan commitments reserve)	(14,385)	(1,474)	(420)	(16,279)
Total	\$ 160,875,848	202,094	357	161,078,299
Accounts Receivable(including other financial assets)				
December 31, 2021				
	12 month ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating				
Low	\$ 4,757,720	-	-	4,757,720
Medium	40,994	8,343	58	49,395
Others	75,530,986	400,791	129,086	76,060,863
Gross carrying amount (Note 1)	80,329,700	409,134	129,144	80,867,978
Allowance for bad debts (Note 2)	(64,011)	(2,854)	(76,295)	(143,160)
Impairment recognized in accordance with "Regulations Governing the Procedures for Evaluation Assets and Deal with Nonperforming / Nonaccrual Loans				(78,915)
Total	\$ 80,265,689	406,280	52,849	80,645,902

Note 1: Restrictive deposit of the Bank amounted \$16,884 thousand, tax refund receivable \$10 thousand and accounts receivable evaluated by the fair value of Government Employees' Insurance amounted \$8,200,931. Amount were not included in the gross carrying amount of this table.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$8 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$5 thousand were not included in the allowance for bad debts of this table.

(Continued)

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Accounts Receivable (including other financial assets)				
December 31, 2021				
	12-month ECLs	Lifetime ECLs - Not impaired	Lifetime ECLs - Impaired	Total
Credit rating				
Aaa-Baa3	\$ 6,148,231	-	-	6,148,231
Baa1-Caa1	31,459	4,374	77	35,910
Others	76,161,851	483,728	134,543	76,780,122
Gross carrying amount (Note 1)	82,341,541	488,152	134,620	82,964,313
Allowance for bad debts (Note 2)	(37,311)	(6,886)	(77,663)	(121,260)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets for Impairment" (Note 2)				(49,852)
Nonaccrual Loans				
Total	<u>\$ 82,304,230</u>	<u>481,266</u>	<u>57,555</u>	<u>(49,852)</u>
				<u>\$ 82,793,199</u>

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 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, 2021				
In balance sheet:	Collateral	General agreement of net amount	Enhancement of other credits	Total
Receivables				
Others	\$ 1,057	8	3,156	4,221
Loans and discounts	1,477,346	-	1,507,852	2,985,198
Financial assets measured at fair value through profit or loss				
Others	1,200	-	-	1,200
Off-balance sheet				
Irrevocable loan commitments	-	-	252,833	252,833
Standby letters of credit	2,447	-	43,985	46,432
Financial guarantees	11,472	-	75,534	87,006
Total	<u>\$ 1,493,522</u>	<u>8</u>	<u>1,883,560</u>	<u>3,376,890</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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December 31, 2020				
In balance sheet:	Collateral	General agreement of net amount	Enhancement of other credits	Total
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	<u>\$ 1,430,191</u>	<u>46</u>	<u>1,793,821</u>	<u>3,224,058</u>

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, 2021				
	Gross carrying amount	Allowance for impairment (Legal reserves not included)	Exposure amount (Amountized cost)	Fair value of collateral
Impaired financial assets:				
Receivables				
Credit card business	\$ 5,625	2,429	3,196	-
Others	123,519	73,866	49,653	15,772
Loans and discounts	12,825,224	2,915,829	9,909,395	7,756,713
Total amount of impaired financial assets	<u>\$ 12,954,368</u>	<u>2,992,124</u>	<u>9,962,244</u>	<u>7,772,485</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Gross carrying amount	Allowance for impairment (Legal reserves was not included)	Exposure amount (Amortized cost)
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
Total amount of impaired financial assets	<u>\$ 19,478,944</u>	<u>4,825,179</u>	<u>14,653,765</u>
			<u>12,895,755</u>

4) Financial assets not applicable for rules of impairment:

	December 31, 2021	December 31, 2020
Financial assets measured at fair value through profit or loss		
Debt instruments	\$ 181,421,720	173,484,134
Derivative	6,058,755	11,635,350

(vii) Concentration of credit risk

When the transaction of financial instruments is concentrated in a single industry or region, the ability to obligate 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

	December 31, 2021			December 31, 2020		
Industry type	Book Value (Note 1)	%	Book Value (Note 2)	%	Book Value (Note 1)	%
Finance and insurance	\$ 1,237,962	27.87 %	1,238,373	28.62 %		
Individuals	1,141,875	25.71 %	1,053,085	24.34 %		
Manufacturing	435,211	9.80 %	407,193	9.41 %		
Government Agencies	810,837	18.25 %	820,618	18.96 %		
Shipping, warehousing and communications	173,204	3.90 %	167,670	3.87 %		
Electricity and gas supply	133,463	3.00 %	114,998	2.66 %		
Others	509,365	11.47 %	525,088	12.14 %		
Total	<u>\$ 4,441,917</u>	<u>100.00 %</u>	<u>4,327,025</u>	<u>100.00 %</u>		

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Note 1: December 31, 2021

(1) The carrying amounts excluding adjustment for premium and discount include loans (\$2,985,198 million), call loans to banks, overdraft of banks and placement with banks (\$285,787 million), security investments (\$1,170,932 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, long-term secured loans, medium-term secured loans, long-term secured loans, long-term secured loans, import bill advance and nonperforming loans (\$2,532 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 measured 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, Bank Taiwan Insurance Brokers.

Note 2: December 31, 2020

(1) The carrying amounts excluding adjustment for premium and discount include loans (\$2,913,875 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, long-term secured loans, medium-term secured loans, long-term secured 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 measured 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, Bank Taiwan Insurance Brokers.

2) Region

	December 31, 2021			December 31, 2020		
Area type	Book Value (Note 1)	%	Book Value (Note 2)	%	Book Value (Note 1)	%
Domestic	\$ 3,927,503	88.42 %	3,831,555	88.55 %		
Foreign	514,414	11.58 %	495,470	11.45 %		
Total	<u>\$ 4,441,917</u>	<u>100.00 %</u>	<u>4,327,025</u>	<u>100.00 %</u>		

Note 1: December 31, 2021

(1) The carrying amounts excluding adjustment for premium and discount include loans (\$2,985,198 million), call loans to banks, overdraft of banks and placement with banks (\$285,787 million), security investments (\$1,170,932 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, long-term secured loans, medium-term secured loans, long-term secured loans, long-term secured loans, import bill advance and nonperforming loans (\$2,532 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 measured 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, Bank Taiwan Insurance Brokers.

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BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Note 2: December 31, 2020

(1) The carrying amounts excluding adjustment for premium and discount include loans (\$2,913,875 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.

3) Collateral

Unit: In million of TWD; %

Type of collateral	December 31, 2021		December 31, 2020	
	Book Value (Note 1)	%	Book Value (Note 1)	%
Non-secured	\$ 1,323,658	44.34 %	1,321,719	45.37 %
Secured	1,661,540	55.66 %	1,592,156	54.63 %
Guarantee	185,041	6.20 %	179,249	6.15 %
Securities	65,736	2.20 %	68,914	2.36 %
Real estate	1,347,522	45.14 %	1,262,049	43.31 %
Chattel	63,101	2.11 %	81,814	2.81 %
Valuables	140	0.01 %	130	- %
Total	\$ 2,985,198	100.00 %	2,913,875	100.00 %

Note 1: The carrying amounts excluding adjustment for premium and discount 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 (\$2,532 million at December 31, 2021; \$3,195 million at December 31, 2020).

Note 2: This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

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BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(viii) Changes in loss allowance

1) Changes in loss allowance of discounts and loans

- a) As of December 31, 2021 and 2020, the variation of the beginning and ending balances for loss allowance of discounts and loans were as follows:

	2021				
	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"
Beginning balance	\$ 21,310,143	1,721,279	4,748,114	27,779,536	16,886,367
Changes due to financial instruments recognized as at beginning:					
— Transfer to lifetime ECL not credit impaired	(174,920)	247,046	(72,126)	-	-
— Transfer to lifetime ECL credit impaired	(27,965)	(24,093)	52,058	-	-
— Transfer to 12month expected credit losses	620,138	(372,991)	(247,147)	-	-
— Financial assets that have been derecognized during the period	(2,917,036)	(55,473)	(1,752,086)	(4,724,595)	(4,724,595)
Originated or purchased new financial assets	2,766,173	139,140	146,748	3,052,061	3,052,061
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	1,332,048
Bad debts written off	-	-	(1,528,828)	(1,528,828)	(1,528,828)
The recovery of bad debts written off	-	-	1,287,043	1,287,043	1,287,043
Foreign exchange and other movements	(200,862)	583,757	282,053	664,948	664,948
Ending balance	\$ 21,375,671	2,238,665	2,915,829	26,530,165	18,218,415

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	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/Nonaccrual Loans"
Beginning balance	\$ 21,113,435	1,606,276	7,150,936	29,870,647	15,272,836
Changes due to financial instruments recognized as at beginning:					
— Transfer to lifetime ECL not credit impaired	(159,475)	234,808	(65,333)	-	-
— Transfer to lifetime ECL 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
Bad debts written off	(795,893)	-	(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

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- b) As of December 31, 2021 and 2020, the carrying amounts of discounts and loans were as follows:

	2021			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 2,733,075,541	161,450,558	19,344,324	2,913,870,423
— Transfer to lifetime ECL not credit impaired	(167,177,457)	167,739,685	(562,228)	-
— Transfer to lifetime ECL credit impaired	(2,817,829)	(955,215)	3,773,044	-
— Transfer to 12month expected credit losses	42,740,120	(38,232,391)	(4,507,729)	-
— Financial assets that have been derecognized during the period	(1,262,436,240)	(30,819,045)	(5,416,404)	(1,298,671,689)
Originated or purchased new discounts and loans	1,365,056,104	10,456,615	1,275,059	1,376,787,778
Bad debts written off	-	-	(1,528,828)	(1,528,828)
Changes from the amendments not leading to de recognition	-	-	4,290	4,290
Other movements	(5,684,579)	(23,024)	443,696	(5,263,907)
Ending balance	\$ 2,702,755,660	269,617,183	12,825,224	2,985,198,067

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2020			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 2,611,164,618	85,023,595	25,096,494	2,721,284,707
— Transfer to lifetime ECL not credit impaired	(114,931,841)	115,396,305	(464,464)	-
— Transfer to lifetime ECL 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 from the amendments not leading to de recognition	-	-	(575)	(575)
Other movements	1,154,042	(37,606)	(5,187,309)	(4,070,873)
Ending balance	<u>\$ 2,733,075,541</u>	<u>161,450,558</u>	<u>19,344,324</u>	<u>2,913,870,423</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- 2) Changes in loss allowance of debt instruments measured at fair value through other comprehensive income
- a) As of December 31, 2021 and 2020, 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:

	2021			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 100,415	19,353	-	119,768
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(30,000)	(360)	-	(30,360)
Originated or purchased new financial assets	24,492	-	-	24,492
Foreign exchange and other movements	(3,322)	(11,365)	-	(14,687)
Ending balance	<u>\$ 91,585</u>	<u>7,628</u>	<u>-</u>	<u>99,213</u>

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BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2020			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 80,477	8,801	-	89,278
Changes due to financial instruments recognized as at beginning:				
— Transfer to lifetime expected credit losses	(865)	865	-	-
— Financial assets that have been derecognized during the period	(14,779)	-	-	(14,779)
Originated or purchased new financial assets	39,635	-	-	39,635
Foreign exchange and other movements	(4,053)	9,687	-	5,634
Ending balance	<u>\$ 100,415</u>	<u>19,353</u>	<u>-</u>	<u>119,768</u>

(Continued)

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- b) As of December 31, 2021 and 2020, the carrying amounts of debt instruments measured at fair value through other comprehensive income were as follows:

	2021			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 895,457,992	545,820	-	896,003,812
— Financial assets that have been derecognized during the period	(727,049,793)	(105,348)	-	(727,155,141)
Originated or purchased new financial assets	720,083,724	-	-	720,083,724
Foreign exchange and other movements	(2,445,782)	(20,532)	-	(2,466,314)
Ending balance	<u>\$ 886,046,141</u>	<u>419,940</u>	<u>-</u>	<u>886,466,081</u>

	2020			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 915,889,512	302,385	-	916,191,897
— Transfer to lifetime expected credit losses	(289,806)	289,806	-	-
— Financial assets that have been derecognized during the period	(766,977,547)	-	-	(766,977,547)
Originated or purchased new financial assets	749,720,006	-	-	749,720,006
Foreign exchange and other movements	(2,884,173)	(46,371)	-	(2,930,544)
Ending balance	<u>\$ 895,457,992</u>	<u>545,820</u>	<u>-</u>	<u>896,003,812</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

3) Changes in loss allowance of debt instruments measured at amortized cost

- a) As of December 31, 2021 and 2020, the variation of the beginning and ending balances for loss allowance of debt instruments measured at amortized cost were as follows:

	2021			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 40,113	-	-	40,113
— Financial assets that have been derecognized during the period	(15,149)	-	-	(15,149)
Originated or purchased new financial assets	17,381	-	-	17,381
Foreign exchange and other movements	(3,367)	-	-	(3,367)
Ending balance	<u>\$ 38,978</u>	<u>-</u>	<u>-</u>	<u>38,978</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2020			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 43,107	-	-	43,107
— Financial assets that have been derecognized during the period	(16,323)	-	-	(16,323)
Originated or purchased new financial assets	12,752	-	-	12,752
Foreign exchange and other movements	577	-	-	577
Ending balance	<u>\$ 40,113</u>	<u>-</u>	<u>-</u>	<u>40,113</u>

- b) As of December 31, 2021 and 2020, the carrying amounts of debt instruments measured at amortized cost were as follows:

	2021			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 156,133,165	-	-	156,133,165
— Financial assets that have been derecognized during the period	(51,557,279)	-	-	(51,557,279)
Originated or purchased new financial assets	60,899,121	-	-	60,899,121
Foreign exchange and other movements	(506,455)	-	-	(506,455)
Ending balance	<u>\$ 164,968,552</u>	<u>-</u>	<u>-</u>	<u>164,968,552</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2020			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 177,249,882	-	-	177,249,882
— Financial assets that have been derecognized during the period	(60,191,933)	-	-	(60,191,933)
Originated or purchased new financial assets	39,947,176	-	-	39,947,176
Foreign exchange and other movements	(871,960)	-	-	(871,960)
Ending balance	<u>\$ 156,133,165</u>	<u>-</u>	<u>-</u>	<u>156,133,165</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

4) Changes in guarantee reserve and other reserve

- a) As of December 31, 2021 and 2020, 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:

	2021					
	12 month ECLs	Lifetime ECLs	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/Nonaccrual Loans"	Total
Beginning balance	\$ 425,959	66,713	62,802	555,474	848,754	1,404,228
Changes due to financial instruments recognized as at beginning:						
— Transfer to lifetime ECL not credit impaired	(4,787)	4,787	-	-	-	-
— Transfer to 12month expected credit losses	47,127	(41,786)	(5,341)	-	-	-
— Financial assets that have been derecognized during the period	(292,851)	(18,082)	(5,583)	(316,516)	-	(316,516)
Originated or purchased new financial assets	169,523	1,958	9	171,490	-	171,490
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming /Nonaccrual Loans"	-	-	-	-	110,045	110,045
Foreign exchange and other movements	(42,953)	5,665	15	(37,273)	-	(37,273)
Ending balance	<u>\$ 302,018</u>	<u>19,255</u>	<u>51,902</u>	<u>373,175</u>	<u>958,799</u>	<u>1,331,974</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2020					
	12 month ECLs	Lifetime ECLs	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/Nonaccrual Loans"	Total
Beginning balance	\$ 358,951	11,252	99,529	469,732	861,766	1,331,498
Changes due to financial instruments recognized as at beginning:						
— Transfer to lifetime ECL not credit impaired	(2,773)	2,773	-	-	-	-
— Transfer to lifetime ECL credit impaired	(31)	(641)	672	-	-	-
— Transfer to 12month expected credit losses	5	(5)	-	-	-	-
— Financial assets that have been derecognized during the period	(121,666)	(3,527)	(43,860)	(169,053)	-	(169,053)
Originated or purchased new financial assets	144,480	17,143	7,624	169,247	-	169,247
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	(13,012)	(13,012)
Foreign exchange and other movements	46,993	39,718	(1,163)	85,548	-	85,548
Ending balance	\$ 425,959	66,713	62,802	555,474	848,754	1,404,228

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- b) As of December 31, 2021 and 2020, the carrying amounts of letter of credit receivables and guarantee for trade receivables were as follows:

	2021			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 134,825,364	4,000,139	944,408	139,769,911
— Transfer to lifetime ECL not credit impaired	(455,885)	455,885	-	-
— Transfer to lifetime ECL credit impaired	(90)	-	90	-
— Transfer to 12month expected credit losses	793,725	(457,628)	(336,097)	-
— Financial assets that have been derecognized during the period	(70,161,250)	(1,191,603)	(482,407)	(71,835,260)
Originated or purchased new discounts and loans	65,139,013	430,385	4,339	65,573,737
Foreign exchange and other movements	(70,565)	-	-	(70,565)
Ending balance	\$ 130,070,312	3,237,178	130,333	133,437,823

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2020			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 121,697,886	3,082,970	685,801	125,466,657
— Transfer to lifetime ECL not credit impaired	(891,681)	891,681	-	-
— Transfer to lifetime ECL credit impaired	(7,501)	(49,970)	57,471	-
— Transfer to 12month expected credit losses	7,724	(7,724)	-	-
— 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
Foreign exchange and other movements	(13,567)	-	-	(13,567)
Ending balance	<u>\$ 134,825,364</u>	<u>4,000,139</u>	<u>944,408</u>	<u>139,769,911</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

5) Changes in loan commitments reserve

- a) As of December 31, 2021 and 2020, the variation of the beginning and ending balances for loss allowance of loan commitments (loan commitments reserve) were as follows:

	2021			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 14,385	1,474	420	16,279
Changes due to financial instruments recognized as at beginning:				
— Transfer to lifetime ECL not credit impaired	(45)	45	-	-
— Transfer to lifetime ECL credit impaired	-	(2)	2	-
— Transfer to 12month expected credit losses	870	(870)	-	-
— Financial assets that have been derecognized during the period	(11,191)	(402)	(229)	(11,822)
Originated or purchased new financial assets	3,777	365	115	4,257
Foreign exchange and other movements	(2,832)	(76)	(132)	(3,040)
Ending balance	<u>\$ 4,964</u>	<u>534</u>	<u>176</u>	<u>5,674</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

2020				
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 17,118	1,817	289	19,224
Changes due to financial instruments recognized as at beginning:				
— Transfer to lifetime ECL not credit impaired	(118)	118	-	-
— Transfer to lifetime ECL credit impaired	-	(14)	14	-
— Transfer to 12month expected credit losses	2,314	(2,314)	-	-
— Financial assets that have been derecognized during the period	(13,954)	(1,046)	(506)	(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	<u>\$ 14,385</u>	<u>1,474</u>	<u>420</u>	<u>16,279</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- b) As of December 31, 2021 and 2020, the carrying amounts of loan commitments were as follows:

2021				
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 160,890,423	203,568	777	161,094,768
— Transfer to lifetime ECL credit impaired	-	(757)	757	-
— Financial assets that have been derecognized during the period	(155,311,163)	(538,055)	(2,002)	(155,851,220)
Originated or purchased new discounts and loans	247,058,165	530,295	895	247,589,355
Ending balance	<u>\$ 252,637,425</u>	<u>195,051</u>	<u>427</u>	<u>252,832,903</u>

2020				
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 423,042,244	227,556	482	423,270,282
— Transfer to lifetime ECL credit impaired	-	(1,762)	1,762	-
— 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	700	18,372,163
Foreign exchange and other movements	(2,800)	-	-	(2,800)
Ending balance	<u>\$ 160,890,423</u>	<u>203,568</u>	<u>777</u>	<u>161,094,768</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

6) Changes in loss allowance of receivables(including other financial assets)

a) As of December 31, 2021 and 2020, the variation of the beginning and ending balances for loss allowance of receivables were as follows:

	2021					
	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/Nonaccrual Loans"	Total
Beginning balance (Note 1)	\$ 37,311	6,886	77,065	121,262	49,852	171,114
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECL not credit impaired	(282)	451	(169)	-	-	-
– Transfer to lifetime ECL credit impaired	(6)	(95)	101	-	-	-
– Transfer to 12month expected credit losses	5,351	(670)	(4,681)	-	-	-
– Financial assets that have been derecognized during the period	(21,535)	(3,295)	(32,404)	(57,234)	-	(57,234)
Originated or purchased new financial assets	32,325	2,333	16,327	50,985	-	50,985
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	29,063	29,063
Bad debts written off	(66)	(847)	(6,333)	(7,246)	-	(7,246)
The recovery of bad debts written off	-	-	6,908	6,908	-	6,908
Foreign exchange and other movements	10,913	(1,909)	19,481	28,485	-	28,485
Ending balance (Note 2)	\$ 64,011	2,854	76,295	143,160	78,915	222,075

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 \$11 thousand were not included.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$8 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$5 thousand were not included.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	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/Nonaccrual 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 ECL not credit impaired	(528)	730	(202)	-	-	-
– Transfer to lifetime ECL 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)	(6,506)
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	660	(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.

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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

b) As of December 31, 2021 and 2020, the carrying amounts of receivables were as follows:

	2021			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance (Note 1)	\$ 82,341,541	488,152	134,620	82,964,313
— Transfer to lifetime ECL not credit impaired	(244,623)	246,026	(1,403)	-
— Transfer to lifetime ECL credit impaired	(1,737)	(8,069)	9,806	-
— Transfer to 12month expected credit losses	173,906	(161,689)	(12,217)	-
— Financial assets that have been derecognized during the period	(39,883,246)	(309,534)	(80,709)	(40,273,489)
Originated or purchased new discounts and loans	15,157,884	155,739	42,868	15,356,491
Bad debts written off	(66)	(847)	(6,333)	(7,246)
Foreign exchange and other movements	22,786,041	(644)	42,512	22,827,909
Ending balance (Note 2)	<u>\$ 80,329,700</u>	<u>409,134</u>	<u>129,144</u>	<u>80,867,978</u>

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: Restrictive deposit of the Bank amounted \$16,884 thousand, tax refund receivable \$10 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$8,280,931 thousand were not included.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2020			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance (Note 1)	\$ 90,521,835	400,165	170,154	91,092,154
— Transfer to lifetime ECL not credit impaired	(347,012)	348,431	(1,419)	-
— Transfer to lifetime ECL 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	(17,535,419)	(367,445)	(87,085)	(17,989,949)
Originated or purchased new discounts and loans	37,785,130	197,499	71,776	38,054,405
Bad debts written off	-	(168)	(7,781)	(7,949)
Foreign exchange and other movements	(28,154,443)	2,577	(32,482)	(28,184,348)
Ending balance (Note 2)	<u>\$ 82,341,541</u>	<u>488,152</u>	<u>134,620</u>	<u>82,964,313</u>

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: 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- 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, 2021 and 2020 is shown below:

	December 31, 2021			
	Gross amounts of account receivables	Weighted average expected loss rate	Allowance for expected credit loss for a life time	
Non-overdue	\$ 8,280,543	0%	-	
Overdue less than 30 days	139	0%	-	
Overdue 31~60 days	-	0%	-	
Overdue 61~90 days	-	0%	-	
Overdue more than 91 days	249	2%	-	5
	<u>\$ 8,280,931</u>			<u>5</u>

	December 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 61~90 days	252	0%	-	
Overdue more than 91 days	637	1.73%	-	11
	<u>\$ 8,407,922</u>			<u>11</u>

The movements of allowance for impairment of account receivables held by BOT's department of government employees' insurance:

	2021	2020
Beginning balance	\$ 11	13
Impairment recognized (reversed)	(6)	(2)
Ending balance	<u>\$ 5</u>	<u>11</u>

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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

Type / Item	Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt (Note 4)	Coverage ratio (%) (Note 5)
Enterprise Secured	1,099,205	603,889,974	0.17 %	10,653,764	1,055.66 %
Non secured	275,327	1,290,449,248	0.02 %	20,894,806	7,589.09 %
House mortgage (Note 5)	1,039,165	845,471,175	0.12 %	9,695,745	933.03 %
Cash card	-	-	-	-	-
Consumer Micro credit (Note 6)	17,187	4,917,606	0.35 %	110,427	642.50 %
Others Secured	931,748	213,297,509	0.44 %	2,950,149	316.63 %
finance (Note 7) Non secured	104,000	27,152,555	0.38 %	443,689	426.62 %
Total	3,376,632	2,985,198,067	0.11 %	44,748,580	1,325.24 %
Credit and business	Overdue receivables	Account receivable	Ratio (%)	Allowance for doubtful debt	Cover ratio
Non-recourse factoring (Note 8)	789	935,767	0.08 %	10,191	1,291.34 %
	-	11,939,078	-	81,435	-

Type / Item	Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt (Note 4)	Coverage ratio (%) (Note 5)
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 %	8,626,506	690.05 %
Cash card	-	-	-	-	-
Consumer Micro credit (Note 6)	16,296	4,896,622	0.33 %	113,811	698.40 %
Others Secured	913,134	216,588,331	0.42 %	3,142,790	344.18 %
finance (Note 7) Non secured	136,531	27,987,886	0.49 %	404,729	361.56 %
Total	4,478,862	2,913,874,714	0.15 %	44,665,903	997.26 %
Credit and business	Overdue receivables	Account receivable	Ratio (%)	Allowance for doubtful debt	Cover ratio
Non-recourse factoring (Note 8)	911	880,911	0.10 %	9,480	1,040.56 %
	-	9,753,258	-	50,050	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Preparation of Financial Reports by Banks and Bank Holding Companies" (hereinafter referred to as "Regulations"). Nonperforming credit and 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. 094400378).

Note 2: The 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 credit 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

2) Non-performing Loans and Overdue Receivables Exempted from Reporting

	Unit: In thousand of TWD		
	December 31, 2021	January 12, 2021	January 12, 2020
As a result of debt consultation and loans agreement	Excluded overdue receivables	Excluded overdue receivables	Excluded overdue receivables
As a result of debt subvency and restart plan	Excluded NPL	Excluded NPL	Excluded NPL
Total	9,760	17,031	10,771
			18,116

3) Concentration of Credit Risk

Rank	Group Name	December 31, 2021		% of Net Asset Value
		Credit Extensions Balance		
1	A company – Rail Transport	47,542		11.82 %
2	B group – Air Transport	42,806		10.64 %
3	C group – Air Transport	23,862		5.93 %
4	D group – Smelting and Refining of Iron and Steel	23,612		5.87 %
5	E group – Ocean Transport	21,704		5.40 %
6	F group – Spinning of Yan, Man-made Fibers	18,778		4.67 %
7	G group – Real Estate Development Activities	17,620		4.38 %
8	H group – Cable Television	16,421		4.08 %
9	I group – Real Estate Development Activities	16,069		4.00 %
10	J group – Manufacture of Made-up Textile Articles	15,859		3.94 %

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Rank	Group Name	December 31, 2020		% of Net Asset Value
		Credit Extensions Balance		
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 %

4) Average balance and current average interest rates of interest-bearing assets and liabilities

	December 31, 2021		December 31, 2020	
	Average	Average interest rate (%)	Average	Average interest rate (%)
Unit: In thousand of TWD, %				
Interest earnings assets				
Call loans and placement with banks	\$ 263,845,761	0.73	228,949,987	1.62
Placement with Central Bank	423,401,693	0.49	422,093,370	0.54
Financial assets	1,088,722,730	0.66	1,027,593,399	0.81
Negotiation, discounts and loan loans	2,821,597,022	1.25	2,813,029,445	1.32
Interest bearing liabilities				
Deposit of Central Bank	16,728,924	-	14,414,045	-
Deposits and call loans from banks	244,405,870	0.35	259,989,920	0.65
Loans to Central Bank and banks	25,627,840	0.12	4,492,488	0.10
Demand deposits	524,330,157	0.06	446,321,725	0.10
Time savings	1,173,347,839	0.36	1,046,326,287	0.39
Time deposits	1,444,552,161	1.09	1,554,787,720	1.30
Government deposits	664,599,806	0.55	667,891,086	1.18
Structured products	335,558,981	0.08	314,278,255	0.12
Financial bonds	806,617	0.98	1,208,970	1.52
	25,347,945	1.00	25,000,000	1.08

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.

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BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(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%.

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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 between 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 callable 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 Bank Taiwan Insurance Brokers.

Maturity analysis of assets and liabilities (United State Dollars)

	December 31, 2021	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Assets							
Call loans to banks and overdrafts	776,515	10,000	10,000	14,550	-	643	806,708
Investment securities	2,653,589	2,640,000	899,500	692,000	-	-	6,885,000
Loans (including overdue loans)	83,887	71,038	89,344	122,889	2,649,977	3,227,135	3,227,135
Interest receivables and income	1,094,888	513,823	363,536	383,148	3,064,424	5,454,818	5,454,818
Other receivables	10,346	12,434	3,893	954	17,860	45,487	45,487
Other expired items	9,928,405	8,368,713	4,819,442	6,447,337	2,773,387	32,337,384	32,337,384
Total major matured capital inflow	14,562,541	11,631,007	6,185,815	7,660,878	8,716,291	48,765,532	48,765,532
Liabilities							
Deposits from banks, bank overdrafts, and call loans from bank	1,791,675	205,000	15,000	-	-	-	2,001,675
Demand deposits	1,343,194	1,799,341	2,699,011	-	1,371,924	7,213,470	7,213,470
Time deposits	2,787,889	4,188,015	2,922,660	3,021,871	1	12,920,436	12,920,436
Borrowings	-	-	-	-	600,000	600,000	600,000
Interest payables	5,673	8,186	3,830	1,791	69,756	89,236	89,236
Loan Commitments	141,843	341,705	199,402	346,730	483,662	1,513,332	1,513,332
Equities	-	-	-	-	(109,661)	(109,661)	(109,661)
Other expired items	7,160,669	3,897,712	2,816,389	2,318,743	9,128,135	25,321,588	25,321,588
Total major matured capital outflow	13,220,883	10,469,953	6,658,292	5,689,133	11,549,827	49,626,106	49,626,106

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Maturity analysis of assets and liabilities (New Taiwan Dollars)

December 31, 2021	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Cash and placement with banks	46,217,599	284,671,574	17,682,544	68,767,858	52,373,530	443,033,525
Call loans to banks and overdrafts	5,000	10,000	-	-	15,000	30,000
Investment securities	597,363,665	52,510,096	45,543,488	55,939,819	559,250,410	1,271,607,478
Loans (including overdue loans)	171,130,024	240,867,275	230,975,237	480,816,694	1,666,615,042	2,792,598,072
Interest receivables and income	3,397,211	1,949,431	1,409,840	1,033,661	169,874	7,960,017
Other expired items	175,251,469	79,934,118	57,186,999	69,136,245	301,207,283	684,715,845
Total major matured capital inflow	963,555,006	579,908,494	406,798,099	675,694,077	2,574,556,059	5,200,511,737
Deposits from banks, bank overdrafts, and call loans from bank	185,096,352	5,767,820	8,166,007	20,773,282	8,712,566	227,910,027
Demand deposits	48,170,636	32,843,615	44,886,274	77,182,496	1,621,562,268	1,824,645,289
Time deposits	249,500,417	233,881,621	277,443,228	720,434,247	158,099,339	1,639,318,852
Bill and bonds sold under repurchase agreements	787,663	62,238	774,014	-	-	2,184,915
Borrowings	-	-	-	-	-	-
Interest payables	32,575,205	1,631	1,841	2,168	26,000,514	58,882,359
Loan Commitments	3,638,158	567,350	1,100,027	579,186	290,785	6,178,506
Equities	85,773,786	171,547,571	257,321,556	514,442,713	686,190,783	1,715,475,709
Other expired items	-	-	-	-	403,052,939	403,052,939
Total major matured capital inflow	767,028,521	621,108,782	703,897,137	1,474,517,482	3,086,176,387	6,652,728,309

Maturity analysis of assets and liabilities (United State Dollars)

December 31, 2021	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Cash and placement with banks	649,039	43,520	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	50,570	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	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	14,233,451	11,506,724	4,346,707	6,342,569	10,179,599	46,669,250
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	2,463	40,456	81,610
Loan Commitments	119,772	116,432	240,224	370,385	496,965	1,337,778
Equities	-	-	-	-	10,328	(10,328)
Other expired items	3,966,245	5,875,037	1,944,822	2,767,931	8,534,943	23,086,978
Total major matured capital inflow	11,993,418	11,357,230	6,756,231	6,367,457	10,802,406	47,276,724

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Maturity analysis of assets and liabilities (New Taiwan Dollars)

December 31, 2020	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Cash and placement with banks	70,077,167	286,382,844	73,806,749	70,376,742	46,162,910	467,466,412
Call loans to banks and overdrafts	705,000	10,000	-	-	15,000	715,000
Investment securities	636,961,820	57,273,286	74,730,426	203,126,898	257,579,307	1,249,651,737
Loans (including overdue loans)	224,867,212	249,983,313	261,184,099	415,266,191	1,547,696,191	2,699,017,108
Interest receivables and income	3,400,218	2,436,309	1,510,815	1,299,624	93,706	8,760,972
Other expired items	87,844,413	149,517,745	42,295,956	113,281,900	272,331,539	665,271,643
Total major matured capital inflow	1,044,496,230	665,603,499	453,548,045	803,351,445	2,123,801,633	5,090,802,872
Deposits from banks, bank overdrafts, and call loans from bank	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Demand deposits	64,588,026	47,330,378	44,425,626	60,316,331	1,492,017,589	1,706,677,920
Time deposits	358,793,424	243,879,116	292,614,371	727,865,082	140,291,962	1,763,444,955
Bill and bonds sold under repurchase agreements	1,301,068	1,963,146	1,275,173	-	-	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	598,931,239	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 inflow	861,706,266	672,994,478	665,857,087	1,416,365,296	2,774,325,779	6,391,248,965

(iv) Maturity analysis of derivatives

December 31, 2021	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	5-Overdue 1 to 5 years	6-Overdue more than 5 years	Total
Derivative financial instruments	-	-	-	-	-	-	-
financial asset and liability measured at fair value through profit or loss	-	-	-	-	-	-	-
foreign exchange inflow	12,787,047	10,007,762	1,984,353	309,690	943,174	-	25,094,168
foreign exchange outflow	12,787,047	10,007,762	2,012,262	285,692	943,174	-	25,094,168
financial asset and liability measured at fair value through profit or loss	-	-	-	-	-	-	-
interest outflow	306,972,304	289,891,800	17,741,250	16,921,134	17,699,254	-	919,124,002
interest inflow	275,979,819	224,163,906	136,322,719	174,272,279	17,840,019	-	828,009,832
hedging derivative financial instruments (interests)	-	-	-	-	-	-	-
interest outflow	-	-	-	-	-	-	-
interest inflow	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
financial asset and liability measured at fair value through profit or loss	-	-	-	-	-	-	-
foreign exchange inflow	15,166,530	11,634,833	2,094,397	634,673	163,377	-	29,548,112
foreign exchange outflow	15,244,008	11,730,220	2,094,397	634,673	163,377	-	29,705,977
financial asset and liability measured at fair value through profit or loss	-	-	-	-	-	-	-
interest outflow	258,485,502	365,676,449	123,133,663	195,755,541	21,2384	21,075,000	966,364,541
interest inflow	239,698,766	384,786,302	100,496,712	191,491,276	60,9355	4,346,469	879,108,662
hedging derivative financial instruments (interests)	-	-	-	-	-	-	-
interest outflow	-	-	-	-	-	-	-
interest inflow	-	-	-	-	-	-	-

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December 31, 2020

	Total	Amount for each remaining period to maturity					Unit: In thousand of USD
		Less than 1 year	1-10 days	31-90 days	91-180 days	Over 1 year	
Major matured capital inflow	\$ 5,090,002,872	26,085,674	518,401,556	669,693,699	833,519,425	2,713,380,653	
Major matured capital outflow	6,391,286,506	472,135,055	388,971,171	672,894,478	665,857,087	2,713,380,653	
Capital gap	(1,301,283,634)	(51,529,381)	129,430,385	(12,200,779)	(2,132,337,662)	(60,000,000)	

2) Maturity analysis of assets and liabilities (United State Dollars) (excluding Bank Taiwan Insurance Brokers)

December 31, 2021

	Total	Amount for each remaining period to maturity					Unit: In thousand of USD
		Less than 1 year	1-10 days	31-90 days	91-180 days	Over 1 year	
Major matured capital inflow	\$ 487,585,323	15,552,561	1,163,519,087	8,182,913	1,668,613	80,102,591	
Major matured capital outflow	492,281,061	13,230,883	10,499,599	8,686,282	5,689,133	112,449,837	
Capital gap	(46,695,738)	(1,311,683)	1,131,084	(2,470,477)	1,971,441	(2,333,546)	

December 31, 2020

	Total	Amount for each remaining period to maturity					Unit: In thousand of USD
		Less than 1 year	1-10 days	31-90 days	91-180 days	Over 1 year	
Major matured capital inflow	\$ 46,609,250	14,233,651	11,596,724	4,346,707	6,342,569	101,795,599	
Major matured capital outflow	47,276,724	11,989,418	11,357,230	6,756,213	6,367,457	10,802,406	
Capital gap	(667,474)	2,244,233	149,494	(2,409,506)	24,888	(62,287)	

(c) 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.

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BANK OF TAIWAN AND SUBSIDIARY
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(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 USD					
	Less than 1 year	1-10 days	31-90 days	91-180 days	Over 1 year	Over 1 year
Prepayable credit and commitment	4,333,765	8,150	1,872	229,918	153,172	25,237,427
Unpaid lease of credit	7,369	3,271,816	5,985,655	12,866,776	4,401,824	196,480
Guarantee receivables	19,725,505	3,099,344	4,653,437	6,818,960	28,060,622	87,006,247
Total	40,779,639	11,442,292	10,647,262	132,186,654	124,197,718	386,243,723

	Unit: In thousand of USD					
	Less than 1 year	1-10 days	31-90 days	91-180 days	Over 1 year	Over 1 year
Prepayable lease commitment	100,000	147,280,055	3,580,000	8,481,368	160,899,423	
Unpaid lease of credit	10,124	227	65,166	185,326	208,347	
Guarantee receivables	20,880,799	1,883,170	7,136,617	11,194,802	42,809,718	
Total	54,222,856	158,163,452	3,645,783	20,477,502	203,917,488	

(vi) Maturity analysis of lease agreements and capital expenditures

Maturity analysis of real estate lease agreements and capital expenditures were as follows:

December 31, 2021	Unit: In thousand of USD			
	Less than 1 year	1-5 years	Over 5 years	Total
Lease agreements	(467,682)	(737,153)	(115,130)	(1,319,965)
Lease liabilities	123,928	109,883	-	233,811
Lease income	-	-	-	-
Total	(343,754)	(627,270)	(115,130)	(1,086,154)

December 31, 2020	Unit: In thousand of USD			
	Less than 1 year	1-5 years	Over 5 years	Total
Lease agreements	(491,595)	(804,664)	(27,053)	(1,323,312)
Lease liabilities	151,654	110,040	-	261,694
Lease income	(339,941)	(694,624)	(27,053)	(1,061,618)

(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 Bank Taiwan Insurance Brokers)

December 31, 2021

	Unit: In thousand of USD				
	Less than 1 year	1-10 days	31-90 days	91-180 days	Over 1 year
Major matured capital inflow	\$ 2,201,511,737	232,677,704	279,986,624	675,694,077	2,742,596,059
Major matured capital outflow	6,652,728,309	402,381,140	164,647,241	621,086,732	3,064,136,387
Capital gap	(4,451,216,572)	(169,703,436)	(86,660,617)	(945,392,655)	(7,212,999,029)

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Notes to the Consolidated Financial Statements

(iii) Procedures of market risk management

1) Identification

The identification procedures are as follows. First, use the business analysis or product analysis to identify 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.

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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 (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) 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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4) Interest Rate Benchmark Reform—Phase 2

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has exposures to IBORs on its financial instruments that would be replaced or reformed as part of these market-wide initiatives by the end of 2021. The alternative reference rates for LIBOR are the Sterling Overnight Index Average (SONIA) rate, the Secured Overnight Financing Rate (SOFR), Euro Short-Term Rate (€STR), and Tokyo Overnight Average (TONA) rate. As of December 31, 2021, it is still unclear when the announcement of the date for the termination of the publication of LIBOR would take place.

The Bank expects that the interest rate benchmark reform will affect its operations, risk management, and hedge accounting. The main risks of the interest rate benchmark reform are the exposures to the business operations of the Bank. For example, loan agreements are renegotiated with counterparties, new covenants are enforced on derivative counterparties, contract terms are modified and the operational control related to the transformation are revised. Financial risk is mainly limited to interest rate risk. Due to the uncertainty of the replacement of the interest rate benchmark related to hedged items and hedging instruments, there is a possibility that the hedge will be ineffective.

To monitor the progress of the adoption of the new interest rate benchmark, the Bank would re-examine the total amounts in the contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Bank considers that a contract is not yet transitioned to an alternative benchmark rate when the interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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The following table shows the total amounts in the unreformed contracts and those with appropriate fallback languages on January 1 and December 31, 2021. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional principal amounts.

Unit: In million of TWD

	USD LIBOR	GBP LIBOR	EUR LIBOR	JPY LIBOR
	Total amount of unreformed contracts	Total amount of unreformed contracts	Total amount of unreformed contracts	Total amount of unreformed contracts
December 31, 2021				
Financial assets				
Loans	\$ 86,690	12,690	700	-
Corporate bonds	18,682	15,700	-	-
Financial liabilities				
Loans from central bank	3,600	-	-	-
Derivatives	28,900	28,900	-	-
January 1, 2021				
Financial assets				
Loans	108,348	7,488	2,420	486
Corporate bonds	15,406	7,895	-	-
Derivatives	9,931	9,931	-	-
Interest rate swaps				

(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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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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 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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4) Measurement method

The control of the equity security price risk is based on the unrealized gain (loss) ratio 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, 2021 and 2020. Under this assumption, the income after tax will decrease \$58 million and \$22 million, respectively; the other comprehensive income will decrease \$14,781 million and \$9,440 million, respectively. If the yield curve moves downward by 100 bps, the income after tax will increase \$78 million and \$359 million, respectively; the other comprehensive income will increase \$15,891 million and \$10,994 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, 2021 and 2020. Under this assumption, the income after tax will increase \$679 million and \$731 million, respectively.

If the exchange rate depreciates by 3%, the income after tax will decrease \$679 million and \$731 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, 2021 and 2020. Under this assumption, the income after tax will increase \$7,803 million and \$6,789 million, respectively; the other comprehensive income will increase \$16,792 million and \$13,860 million, respectively.

If the market prices decreases by 15%, the income after tax will decrease \$7,803 million and \$6,789 million, respectively; the other comprehensive income will decrease \$16,792 million and \$13,860 million, respectively.

(Continued)

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4) Sensitivity analysis is as follows:

Main risk	December 31, 2021	Unit: In million of TWD	
		Amount	Influence
	Range of changes	Equity	Gain or loss
Interest rate risk	Interest rate curve rise 100BPS	(14,781)	(58)
Interest rate risk	Interest rate curve fall 100BPS	15,891	78
Exchange rate risk	Other foreign currency/TWD rise 3%		679
Exchange rate risk	Other foreign currency/TWD fall 3%		(679)
Price of equity stock risk	Price of equity stock rise 15%	16,792	7,803
Price of equity stock risk	Price of equity stock fall 15%	(16,792)	(7,803)

Main risk	December 31, 2020	Unit: In million of TWD	
		Amount	Influence
	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 rise 3%		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)

(Continued)

(x) Information of currency risk concentrate
Net position of major foreign currencies

	Unit: In thousand of stated currencies	
	December 31, 2021	Amount in New Taiwan Dollars
USD	588,739	16,281,577
CNY	1,206,621	5,237,942
JPY	3,051,987	734,003
GBP	18,791	702,032
KRW	18,567,867	434,488

	Unit: In thousand of stated currencies	
	December 31, 2020	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

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.

(Continued)

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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, 2021 and 2020, respectively.

	December 31, 2021			Unit: In thousand of TWD
	Assets	USD to TWD	Other currencies to TWD	
Cash and cash equivalents	\$ 56,221,074	22,380,504	Total TWD	
Placement with Central Bank and call loans to banks	144,034,838	105,961,679	78,601,578	
Financial assets measured at fair value through profit or loss	113,046,730	30,211,089	249,996,517	
Financial assets measured at fair value through other comprehensive income	44,771,093	56,048,646	143,257,819	
Debt investments measured at amortized cost	24,564,780	20,264,545	100,819,739	
Receivables, net	13,547,406	1,167,229	44,829,325	
Current income tax assets	42,036	76,388	14,714,635	
Loans and Discounts, net	128,748,709	62,021,767	118,424	
Other financial assets, net	361,302	17,521	190,770,476	
Property and equipment, net	58,252	30,981	378,823	
Right-of-use assets, net	93,692	190,845	89,233	
Intangible assets, net	28,093	1,583	284,537	
Deferred income tax assets, net	119,322	60,095	29,676	
Other assets, net	21,177,186	2,642,148	179,417	
Total assets	\$ 546,814,513	301,075,020	23,819,334	
			847,889,533	

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	December 31, 2021			Total TWD
	Liabilities	USD to TWD	Other currencies to TWD	
Deposits of Central Bank and banks	\$ 41,879,903	31,779,923	73,659,826	
Due to Central Bank and banks	3,595,150	-	3,595,150	
Financial liabilities measured at fair value through profit or loss	13,626,043	246,432	13,872,475	
Hedging derivatives financial liabilities	-	16,241	16,241	
Bills and bonds sold under repurchase agreement	-	1,802,300	1,802,300	
Payables	5,806,283	2,139,936	7,946,219	
Current income tax liabilities	65,402	42,106	107,508	
Deposits and remittances	498,646,116	247,366,296	746,012,412	
Other financial liabilities	146,156	269,881	416,037	
Provisions	2,665	8,718	11,383	
Lease liabilities	294,023	205,784	499,807	
Deferred income tax liabilities	-	31,368	31,368	
Other liabilities	1,631,586	233,137,749	234,769,335	
Total liabilities	\$ 565,693,327	517,046,734	1,082,740,061	

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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	December 31, 2020		
	USD to TWD	Other currencies to TWD	Total TWD
Assets			
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

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	December 31, 2020		
	USD to TWD	Other currencies to TWD	Total TWD
Liabilities			
Deposits of Central Bank and other banks	\$ 100,690,134	41,405,775	142,095,909
Loans from 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

(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)

Item	December 31, 2021			
	1-90 days	91-180 days	181 days to one year	Over one year
Interest rate sensitive assets	\$ 1,495,206,474	1,988,538,406	196,590,311	429,329,488
Interest rate sensitive liabilities	370,280,629	3,119,407,194	320,187,944	104,697,844
Interest rate sensitive gap	1,124,925,845	(1,130,868,698)	(123,597,633)	324,631,644
Net worth				195,091,158
Ratio of interest rate sensitive assets to liabilities (%)				104.98
Ratio of interest rate sensitive gap to net worth (%)				48.40

Unit: In thousand of TWD

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Unit: In thousand of TWD

Item	December 31, 2020			Total
	1-90 days	91-180 days	181 days to one year	
Interest rate sensitive assets	\$ 1,636,841,392	1,919,353,973	300,287,576	4,057,166,061
Interest rate sensitive liabilities	459,380,994	3,069,596,452	285,899,290	5,915,010,079
Interest rate sensitive gap	1,177,460,398	(1,150,242,479)	290,154,533	142,155,982
Net worth				381,326,311
Ratio of interest rate sensitive assets to liabilities (%)				103.63
Ratio of interest rate sensitive gap to net worth (%)				37.28

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 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 New Taiwan Dollars).

2) Assets and liabilities interest rate sensitivity analysis (United State Dollars)

Unit: In thousand of USD

Item	December 31, 2021			Total
	1-90 days	91-180 days	181 days to one year	
Interest rate sensitive assets	\$ 30,597,883	5,774,746	7,007,456	46,031,950
Interest rate sensitive liabilities	21,020,872	12,412,675	4,907,837	38,444,656
Interest rate sensitive gap	9,577,011	(6,637,929)	2,099,619	7,187,314
Net worth				(108,633)
Ratio of interest rate sensitive assets to liabilities (%)				118.50
Ratio of interest rate sensitive gap to net worth (%)				(6,804.17)

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).

(Continued)

(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.

(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 and the 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" 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.

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(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 its related sub-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 17 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

In order to strengthen the Bank's AML/CFT managerial mechanisms, the Bank has already engaged independent certified public accountant to exam the effectiveness of its AML/CFT managerial mechanism since 2017. The Bank has continuously improved the audit findings provided by the accountant.

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.

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6) Raising awareness about money laundering and terrorism financing

The Bank established an online course, "2021 AML/CFT Program," for staff to improve awareness on AML/CFT. To comply with the amendments related to AML/CFT, the Bank also engaged external experts to hold training for the Bank's responsible officers and supervisors. Furthermore, the Bank held a "Compliance, AML/CFT Forum" in the north, central, and south of Taiwan to propagate common mistakes in AML/CFT and build awareness on AML/CFT in each staff member.

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) Improving oversight on trade-based money laundering, counter-proliferation financing, and anti-sanctions measures

To control trade-based money laundering, counter-proliferation financing, and anti-sanctions effectively, the Bank set up database of "Countries/regions with Severe AML/CFT Deficiencies as Announced by the FATF" and listed those countries/regions as high-risk countries to control the potential risk of proliferation financing in those regions. Also, the Bank kept purchasing/renting "Maritime Risk Intelligence Database" and "Commodity Price Database" to strengthen its verification on the authentication of cross-border trading and rational pricing of commodities in order to lower the threat of trade-based money laundering and proliferation financing.

(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, 2021			
	Carrying amount of the financial assets	Carrying amount of the financial liability	Fair value of transferred financial assets	Fair value of financial liabilities
Type of financial assets				
Financial asset measured at fair value through profit or loss				
Under repurchase agreements	\$ 29,971	29,979	29,971	29,979
Financial asset measured at fair value through other comprehensive income				
Under repurchase agreements	3,860,094	3,957,236	3,860,094	3,957,236
				(97,142)

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December 31, 2021					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Total recognized financial assets offsetting on the balance sheet (a)	Net amount of financial liabilities on the balance sheet (b)	Relevant amount not offset on the balance sheet (d)	Pledged cash instrument Collaterals (note)	Net amount (c)=(a)-(d)
Financial liabilities	\$ 5,812,323	-	1,106,416	587,831	4,118,086
Derivative financial liabilities					

Note: Master netting arrangements and non-cash financial collaterals are included.

December 31, 2020					
Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Total recognized financial assets offsetting on the balance sheet (a)	Net amount of financial assets on the balance sheet (b)	Relevant amount not offset on the balance sheet (d)	Cash received as collateral (note)	Net amount (c)=(b)-(d)
Financial assets	\$ 11,587,077	-	1,581,554	3,344,838	6,100,685
Derivative financial assets					

December 31, 2020					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Total recognized financial assets offsetting on the balance sheet (a)	Net amount of financial liabilities on the balance sheet (b)	Relevant amount not offset on the balance sheet (d)	Pledged cash instrument Collaterals (note)	Net amount (c)=(b)-(d)
Financial liabilities	\$ 17,802,321	-	1,528,837	808,226	15,465,268
Derivative 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.

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December 31, 2020					
Type of financial assets					
Financial asset measured at fair value through profit or loss	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 net position
Under repurchase agreements	\$ 29,972	29,984	29,972	29,984	(12)
Financial asset measured at fair value through other comprehensive income	3,998,900	4,451,906	3,998,900	4,451,906	(453,006)
Under repurchase agreements					

(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:

December 31, 2021					
Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Total recognized financial assets offsetting on the balance sheet (a)	Net amount of financial assets on the balance sheet (b)	Relevant amount not offset on the balance sheet (d)	Cash received as collateral (note)	Net amount (c)=(b)-(d)
Financial assets	\$ 3,513,057	-	3,513,057	724,875	1,668,694
Derivative financial assets					

(Continued)

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 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

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- 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.
- 3) 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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(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	Date	December 31, 2021	December 31, 2020
Eligible		294,229,293	288,306,427
Common stock capital		-	-
Other tier 1 capital		33,023,120	40,361,717
Tier 2 capital		327,252,413	328,668,144
Eligible capital		1,984,241,036	2,062,969,129
Credit	Standardized approach		
Risk assets	Internal rating based approach		
weighted	Securitization		
assets	Operational		
	Basic indicator approach	-	-
	Standardized approach/Alternative standardized approach	63,048,988	64,279,938
	Advance measurement approach	-	-
risk	Standardized approach	98,239,575	70,603,450
Market	Internal models approach	-	-
risk			
Total risk weighted assets		2,145,529,599	2,197,852,517
Capital adequacy ratio		15.25 %	14.95 %
Common stock based capital ratio		13.71 %	13.12 %
Tier 1 risk based capital ratio		13.71 %	13.12 %
Leverage ratio		5.48 %	5.46 %

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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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 semi-annual 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:

- Equity Capital = shareholders' equity + other tier 1 capital + tier 2 capital
- Risk-weighted assets = credit risk-weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5
- Capital adequacy ratio = equity capital / internal models approach
- Common stock - based capital ratio = shareholders' equity / total risk weighted assets
- Tier 1 risk based capital ratio = (shareholders' equity + Other tier 1 capital) / weighted risk
- 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
Bank Taiwan Life Insurance Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.
Bank Taiwan 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
Cathay United Bank	Related- Party
Chang Hwa Bank	Related- Party

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Name	Relationship
United Taiwan Bank	Related- Party
Central Pictures Corporation	Related- Party
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, 2021 and 2020 was as follows:

	2021	2020
Short-term employee benefits	\$ 14,463	16,694

(c) Other related-party transactions

(i) Call loans to bank

	December 31, 2021		
	Highest balance	Ending rate range	Interest income
Hua Nan Financial Holdings Co., Ltd.	\$ 13,378,075	10,080,515	0.03~3.60
			18,150
	December 31, 2020		
	Highest balance	Ending rate range	Interest income
Hua Nan Financial Holdings Co., Ltd.	\$ 10,216,070	3,437,000	0.12~3.25
			36,207

(ii) Receivables

	December 31, 2021		
	Amount	Percentage of account balance	Interest expense
Taiwan Financial Holding Co., Ltd.	\$ 19,301	0.03	5,087
BankTaiwan Life Insurance Co., Ltd.	61,468	0.10	60,616
BankTaiwan Securities Co., Ltd.	31	62	-
Total	\$ 80,800	0.13	65,765

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(iii) Other assets

	December 31, 2021		December 31, 2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 2,181,976	7.81	2,125,912	12.87
BankTaiwan Life Insurance Co., Ltd.	5,959	0.02	5,962	0.04
BankTaiwan Securities Co., Ltd.	14	-	14	-
Total	\$ 2,187,949	7.83	2,131,888	12.91

(iv) Securities lending (classified as other financial assets)

	December 31, 2021		December 31, 2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Securities Co., Ltd.	\$ 248,895	0.83	252,900	0.67

(v) Deposits of banks

	December 31, 2021		December 31, 2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 220,005	0.36	193,429	0.40

(vi) Call loans from banks (recognized as deposit of central bank and other bank)

	December 31, 2021		
	Highest balance	Ending rate range	Interest expense
Hua Nan Financial Holdings Co., Ltd.	\$ 17,503,350	1,659,300	0.01~2.70
			2,736
	December 31, 2020		
	Highest balance	Ending rate range	Interest expense
Hua Nan Financial Holdings Co., Ltd.	\$ 13,215,700	927,300	0.10~2.90
			6,449

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(vii) Deposits

	December 31, 2021		December 31, 2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 866,780	0.02	1,056,093	0.03
Bank Taiwan Life Insurance Co., Ltd.	7,246,429	0.17	8,587,023	0.21
Bank Taiwan Securities Co., Ltd.	4,868,868	0.12	991,509	0.02
Hua Nan Financial Holdings Co., Ltd.	353,519	0.01	352,059	0.01
Tang Eng Iron Works Co., Ltd.	561	-	149,901	-
Tai Yi Real Estate Management Co., Ltd.	-	-	67	-
Total	<u>\$ 13,336,157</u>	<u>0.32</u>	<u>11,136,652</u>	<u>0.27</u>

(viii) Payables

	December 31, 2021		December 31, 2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 9	-	12	-
Bank Taiwan Life Insurance Co., Ltd.	88	-	118	-
Bank Taiwan Securities Co., Ltd.	34	-	10	-
Total	<u>\$ 131</u>	<u>-</u>	<u>140</u>	<u>-</u>

(ix) Other liabilities

	December 31, 2021		December 31, 2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 2,807	0.03	2,807	0.03
Bank Taiwan Life Insurance Co., Ltd.	493	0.01	493	-
Bank Taiwan Securities Co., Ltd.	1,794	0.02	1,794	0.02
Total	<u>\$ 5,094</u>	<u>0.06</u>	<u>5,094</u>	<u>0.05</u>

(x) Interest income

	2021		2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 204,199	0.42	166,428	0.31
Bank Taiwan Securities Co., Ltd.	508	-	675	-
Total	<u>\$ 204,707</u>	<u>0.42</u>	<u>167,103</u>	<u>0.31</u>

(Continued)

(xi) Interest expense

	2021		2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 293	-	386	-
Bank Taiwan Life Insurance Co., Ltd.	7,823	0.04	20,010	0.08
Bank Taiwan Securities Co., Ltd.	337	-	406	-
Total	<u>\$ 8,453</u>	<u>0.04</u>	<u>20,802</u>	<u>0.08</u>

(xii) Service fee income

	2021		2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Bank Taiwan Life Insurance Co., Ltd.	\$ 393,182	7.44	391,035	7.02
Bank Taiwan Securities Co., Ltd.	10,116	0.19	4,998	0.09
Total	<u>\$ 403,298</u>	<u>7.63</u>	<u>396,033</u>	<u>7.11</u>

(xiii) Service fee expense

	2021		2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Bank Taiwan Securities Co., Ltd.	\$ 10,474	1.37	16,107	2.19

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

	2021		2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Bank Taiwan Life Insurance Co., Ltd.	\$ 76,446	0.15	396,750	0.70
Bank Taiwan Securities Co., Ltd.	(873)	-	(2,499)	-
Total	<u>\$ 75,573</u>	<u>0.15</u>	<u>394,251</u>	<u>0.70</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(xv) Other non-interest income (expense)

Name	2021		2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 30,094	(0.06)	29,968	(0.05)
Bank Taiwan Life Insurance Co., Ltd.	30,680	(0.06)	33,623	(0.06)
Bank Taiwan Securities Co., Ltd.	29,273	(0.06)	30,411	(0.05)
Total	\$ 90,047	(0.18)	94,002	(0.16)

(xvi) Other general and administrative expense

Name	2021		2020	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 653	0.01	571	0.01

(xvii) Loans

Category	House holder amount or name of related party	December 31, 2021		Status of performance	Type of collateral	Differences in transaction terms between related and non related parties
		Highest balance in current period	Ending balance	Performing loans		
Consumer loans	41 households	20,778	15,772	15,772	-	None
House mortgages	1,115,504	914,777	914,777	-	-	None
Call loans to banks	Bank of Taiwan	16,202,180	7,445,260	7,445,260	-	None
Call loans to banks	Hua Nan Financial Holding Co., Ltd.	11,624,000	6,825,270	6,825,270	-	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	5,111,665	4,291,665	4,291,665	-	None
Call loans to banks	Cathay United Bank Co., Ltd.	10,000,000	-	-	-	None
Call loans to banks	Bank of the Republic of China	1,050,000	-	-	-	None
Call loans to securities company	Bank Taiwan Securities Co., Ltd.	278,600	248,895	248,895	-	None
Call loans to banks	Bank Hua Bank	10,296,500	242,840	242,840	-	None
Call loans to banks	United Taiwan	320,275	41,483	41,483	-	None
Short-term loans	Taiwan Financial Holding Co., Ltd.	35,000,000	35,000,000	35,000,000	-	None
Short-term secured loans	Bank Taiwan Securities Co., Ltd.	500,000	-	-	-	Government (or financial institutions) guarantee
Secured overdrafts loans	Tung Eng Iron Works Co., Ltd.	221,495	138,982	138,982	-	Land and factory

(Continued)

Category	House holder amount or name of related party	December 31, 2021		Status of performance	Type of collateral	Differences in transaction terms between related and non related parties
		Highest balance in current period	Ending balance	Performing loans		
Short-term secured loans	Tung Eng Iron Works Co., Ltd.	100,000	100,000	100,000	-	Land and factory
Short-term secured loans	Tung Eng Iron Works Co., Ltd.	2,123,637	1,590,000	1,590,000	-	Land and factory
Medium-term secured loans	Tung Eng Iron Works Co., Ltd.	1,700,000	1,700,000	1,700,000	-	Land and factory
Short-term secured loans	Central Pictures Corporation	950,000	950,000	950,000	-	Land and factory
Medium-term secured loans	Central Pictures Corporation	3,000,000	3,000,000	3,000,000	-	Land and factory
Medium-term secured loans	Central Pictures Corporation	1,000,000	1,000,000	1,000,000	-	Land and factory

Category	House holder amount or name of related party	December 31, 2020		Status of performance	Type of collateral	Differences in transaction terms between related and non related parties
		Highest balance in current period	Ending balance	Performing loans		
Consumer loans	33 households	16,997	11,392	11,392	-	None
House mortgages	212 households	869,019	794,252	794,252	-	Land and buildings
Call loans to banks	Bank of Taiwan	12,624,650	7,624,650	7,624,650	-	None
Call loans to banks	Hua Nan Financial Holding Co., Ltd.	1,405,000	1,405,000	1,405,000	-	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	3,520,500	2,958,500	2,958,500	-	None
Call loans to banks	Cathay United Bank Co., Ltd.	1,124,000	1,124,000	1,124,000	-	None
Call loans to banks	The Export-Import Bank of the Republic of China	2,550,000	-	-	-	None
Call loans to securities company	Bank Taiwan Securities Co., Ltd.	252,900	252,900	252,900	-	None
Short-term loans	Taiwan Financial Holding Co., Ltd.	25,200,000	-	-	-	None
Short-term loans	Taiwan Financial Holding Co., Ltd.	24,600,000	24,600,000	24,600,000	-	None
Short-term secured loans	Bank Taiwan Securities Co., Ltd.	550,000	-	-	-	Government (or financial institutions) guarantee
Secured overdrafts loans	Tung Eng Iron Works Co., Ltd.	16,430	-	-	-	Land and factory
Short-term secured loans	Tung Eng Iron Works Co., Ltd.	1,467,281	900,000	900,000	-	Land and factory
Medium-term secured loans	Tung Eng Iron Works Co., Ltd.	1,300,000	100,000	100,000	-	Land and factory

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.

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.

(Continued)

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Notes to the Consolidated Financial Statements

(xviii) Derivative financial instruments

Name of related party	Subject	Agreement period	December 31, 2021		December 31, 2020	
			Notional amounts	Current valuation adjustment	Balance sheet	Amount
Bank Taiwan Life Insurance Co., Ltd.	Swap	2019.08.19-2022.12.22	24,708,969	2,640	Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(235,882)

Name of related party	Subject	Agreement period	December 31, 2020		December 31, 2020	
			Notional amounts	Current valuation adjustment	Balance sheet	Amount
Bank Taiwan Life Insurance Co., Ltd.	Swap	2017.08.04-2021.08.12	35,410,361	(142,618)	Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(688,893)

(xix) Lease

The Bank rented several buildings from its related enterprise, BTLI, to be used as its branch office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$205,437 thousand. For the years ended December 31, 2021 and 2020, the Bank recognized the amount of \$1,340 thousand and \$1,308 thousand as interest expense; \$43,768 thousand and \$42,722 thousand as depreciation expense, respectively. As of December 31, 2021 and 2020, the balance of lease liabilities amounted to \$114,342 thousand and \$127,639 thousand, respectively.

The Bank rented a building from its related enterprise, BTS, to be used as its branch office. A 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 years ended December 31, 2021 and 2020, the Bank recognized the amount of \$1 thousand and \$2 thousand as interest expense and \$85 thousand as depreciation expense for both years. As of December 31, 2021 and 2020, the balance of lease liabilities amounted to \$0 thousand and \$86 thousand, respectively.

(Continued)

(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	December 31, 2021		December 31, 2020	
	Purpose of pledge			
Deposit reserve - account B	Project fund accommodations secured	\$	50,000,000	30,000,000
Financial assets measured at fair value through other comprehensive income - bonds	Guarantee deposit for provisional seizure against defaulted loans and others		246,782	405,590
Financial assets measured at fair value through other comprehensive income - bonds	Operating deposit for securities investment trust and consulting		180,279	195,985
Financial assets measured at amortized cost - bonds	Guarantee deposit for provisional seizure against defaulted loans and others		197,808	31,611
Financial assets measured at amortized cost - bonds	Guarantee deposits for trust business compensation reserve		548,336	449,339
Financial assets measured at amortized cost - bonds	Deposit for bills		52,721	53,038
Financial assets measured at fair value through other comprehensive income - negotiable certificate	Payment and settlement systems of Central Bank		47,326,534	47,399,507
Time deposit - The Local Branches of China Banks	Guarantee deposit for calling loans in CNY		2,170,500	2,162,500
Time deposit - The Local Branches of China Banks	Guarantee deposit for liquidation account in CNY		1,302,300	1,297,500
		\$	<u>102,025,260</u>	<u>81,995,470</u>

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Notes to the Consolidated Financial Statements

(12) Commitments and Contingencies:

(a) Commitments and contingencies

	December 31, 2021	December 31, 2020
Trust liabilities	\$ 717,098,335	657,837,239
Marketable securities held as custodian	2,112,805,786	2,572,066,362
Goods held in custody	30,963,750	28,356,345
Contract guarantee on behalf of counter parties	1,638,512	1,521,700
Consignment collection	50,495,285	44,815,836
Issuance of New Taiwan Dollars	2,950,404,643	2,606,478,684
Trustee of behalf of Lenders	481,054,151	542,324,116
Registered government bonds for sale	753,505,500	710,642,400
Registered short term bills for sale	190,259,494	130,135,667
Consigned sales of marketable securities	-	700,000
Consigned sales of goods	1,183,791	1,236,718
Guarantees	87,006,247	96,960,192
Letters of credit	46,431,576	42,809,717
	<u>\$ 7,422,847,070</u>	<u>7,435,884,976</u>

(b) Balance sheet, income statement and details of assets under trust

Trust assets	December 31, 2021	December 31, 2020
	Amount	%
Deposits		
Deposits in BOT	\$ 28,220,454	4
Deposits in other banks	56,430	-
Short term investment		
Investment in funds	153,482,716	22
Investment in bonds	311,437,613	44
Common stock investment-marketable securities	57,721,529	8
Receivables		
Interest receivable	2,010,992	-
Cash dividend receivable	3,120	-
Receivables from trading securities	259,893	-
Receivables from forward contracts	402,194	-
Real estate		
Land	31,423,360	4
Buildings	209,912	-
Construction in progress	7,949,758	1
Marketable securities under custody	123,920,364	17
Total of trust assets	<u>\$ 717,098,335</u>	<u>100</u>

(Continued)

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(12) Commitments and Contingencies:

(a) Commitments and contingencies

Trust liabilities	December 31, 2021	December 31, 2020
	Amount	%
Payables		
Payables from trading securities	\$ 157,243	-
Payables from forward contracts	401,800	-
Payables from management fee	2,896	-
Payables from supervision fee	563	-
Other payables	753	-
Tax payable	23	-
Securities held in custody payable	123,920,364	17
Trust capital		
Money trust	407,618,076	57
Marketable securities trust	255,357	-
Real estate investment trust	41,390,178	6
Other reserve and accumulated income		
Accumulated loss	139,845,820	19
Foreign currency translation	(24,531,365)	(3)
Deferred unrealized income	2,036,130	-
Current income	26,000,497	4
Total of trust liabilities	<u>\$ 717,098,335</u>	<u>100</u>

Note: Including fund and bond investments of the offshore branch amounting to \$342,239 thousand and \$313,872 thousand as of December 31, 2021 and 2020, respectively.

Details of trust	December 31, 2021	December 31, 2020
Deposits		
Deposits in the Bank	\$ 28,220,454	26,397,242
Deposits in other banks	56,430	2,678
Short term investment		
Investment in funds	153,482,716	154,052,922
Investment in bonds	311,437,613	283,839,910
Common stock investment-marketable securities	57,721,529	51,167,835
Real estate		
Land	31,423,360	20,752,015
Buildings	209,912	203,384
Construction in progress	7,949,758	9,616,090
Marketable securities under custody	123,920,364	106,818,559
Total	<u>\$ 714,422,136</u>	<u>652,850,635</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Income statement for assets under trust		2021	2020
Trust revenue			
Capital interest revenue	\$	11,552,812	11,436,071
Cash dividend revenue		992,983	1,374,915
Donation revenue		132,324	142,678
Realized capital gain – shares		448,762	11,163
Unrealized capital gain – shares		1,625,217	-
Realized capital gain – fund		3,496,711	1,735,827
Unrealized capital gain – fund		2,820	5,995
Realized capital gain – bond		2,587,689	3,639,496
Realized gain on property exchange		2,280,986	523,174
Income from beneficiary certificates		3,944,996	4,048,996
Other revenue		61	-
Total trust revenue		27,065,361	22,918,315
Trust expense			
Capital management fee		473,065	481,523
Tax expense		4,568	3,793
Supervisory fee		1,004	1,013
Storage fee		15,720	14,398
Commission fee		22	196
Donation cost		549,594	771,081
Unrealized capital loss – shares		-	391,720
Realized loss on property exchange		-	-
Realized foreign exchange losses		-	-
Other expense		3,528	104,619
Total trust expense		1,064,864	25,569
Net income	\$	26,000,497	21,124,403

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(13) Profitability:

Item	December 31, 2021		December 31, 2020	
	Before adjusting	After adjusting	Before adjusting	After adjusting
Return on total assets	0.31	0.42	0.23	0.38
(Note 6)	0.28	0.39	0.22	0.36
Return on net worth	4.32	5.34	3.24	4.80
(Note 7)	3.89	4.92	3.02	4.58
Profit margin		39.14		33.73

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, 2021 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 0.42% and 0.39%.)

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, 2021 means income before (after) tax, plus, excess preferential interest expense and interest revenue from the advance resulted from government policies, the adjusted return on net worth before and after tax are 5.48% and 5.02%.)

(14) Losses Due to Major Disasters: None.

(15) Subsequent events: None.

(16) Other:

(a) The employee benefit expenses, depreciation, depletion and amortization, categorized by function, were as follows:

By nature	2021		2020	
	Operating costs	Total	Operating costs	Total
Employee benefits expenses				
Salaries	63,512	12,052,621	67,561	11,826,246
Labor and health insurances	117,783	570,169	107,538	530,149
Pensions	3,122	1,010,681	3,421	958,418
Director and supervisor compensation payment	-	2,456	-	2,472
Others	2,824,135	204,197	2,538,363	211,166
Depreciation expenses	52,390	1,491,529	51,168	1,371,359
Amortization expenses	-	365,349	-	346,220

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

The average number of employees for the years ended December 31, 2021 and 2020 were 8,265 and 8,280, respectively. And among them, directors without employee position were 12 and 13, respectively.

(b) Financial Statements Audited adjustment

The accounting records as at and for the year ended December 31, 2020, 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, 2020:

	Balance Sheet	As Previously Reported December 31, 2020	Adjustments — Increase (Decrease)	As Audited by the MoA, December 31, 2020
Assets				
Current income tax assets	\$	2,104,471	381	2,104,852
Investments under equity method, net		41,133,323	37	41,133,360
Property and equipment, net		139,164,955	(41)	139,164,914
Deferred tax assets		632,057	(8,241)	623,816
Liabilities				
Current Income Tax Liabilities		1,096,367	(5,431)	1,090,936
Stockholders' equity				
Unappropriated retained earnings		22,802,920	170	22,803,090
Other equity		54,733,582	(2,603)	54,730,979
			Adjustments — Increase (Decrease)	As Audited by the MoA, 2020
Income statement				
Interest income	\$	54,051,970	798	54,052,768
Share of profit (loss) of associates and joint ventures accounted for using equity method		1,699,269	37	1,699,306
Depreciation and amortization expenses		(1,717,538)	(41)	(1,717,579)
Profit from continuing operations before tax		12,342,611	794	12,343,405
Income tax expenses		(827,431)	(624)	(828,055)
Net profit		11,515,180	170	11,515,350

(Continued)

Revised entries by the MoA were as follows:

Item	Adjustment accounts	Amount revised by the MoA	Explanation of revision by the MoA
1.	Investments under equity method, net	\$ 37	MoA adjusted Investment accounted for using equity method of Hua Nan Financial Holdings Co., Ltd.
	Share of profit (loss) of associates and joint ventures accounted for using equity method	37	
2.	Deferred tax liabilities	\$ 5,431	The accountant of South Africa branch adjusted taxable income.
	Gains (losses) on debt instruments measured at fair value through other comprehensive income	2,603	
	Deferred tax assets	7,234	
	Income tax expense	2	
	Interest revenue	798	
3.	Depreciation expense	\$ 41	MoA adjusted depreciation of transportation equipment of Hsinchu branch.
	Accumulated depreciation-Transportation equipment	41	
4.	Current income tax assets	\$ 381	MoA adjusted taxable income.
	Income tax expense	626	
	Deferred income tax assets	1,007	

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(c) Supplementary information for government employees' insurance department

(i) Balance sheets

	Government employees' insurance department	
	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 58,142,651	59,585,616
Financial assets measured at fair value through profit or loss	301,592,477	255,253,346
Debt investments measured at amortized cost	84,698,581	74,887,928
Receivables, net	8,688,686	9,028,504
Other financial assets, net	-	15
Property and equipment, net	14,201	17,006
Intangible assets, net	15,887	22,490
Other assets, net	567,885	610,971
Total assets	<u>\$ 453,720,368</u>	<u>399,405,876</u>
	Government employees' insurance department	
	December 31, 2021	December 31, 2020
Payables	\$ 56,124	228,413
Provisions	453,664,223	399,177,462
Other liabilities	21	1
Total liabilities	<u>\$ 453,720,368</u>	<u>399,405,876</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(ii) Income statement

	Government employees' insurance department	
	2021	2020
Net interest income	\$ 1,627,690	2,305,583
Service fee expenses	(16,017)	(28,432)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	48,089,400	52,303,816
Foreign exchange gain (loss)	(3,362,802)	(6,318,070)
Impairment gain and reversal (loss) of assets	1,956	2,737
Premium income	23,627,599	23,623,153
Government subsidy (note)	7,721,076	7,784,351
Insurance payments	(22,963,851)	(21,988,989)
Provision for insurance premium reserve	(54,486,760)	(57,438,873)
Miscellaneous expense	(88,973)	(91,714)
Miscellaneous revenue	23,302	10,498
Net revenue	<u>172,620</u>	<u>164,060</u>
Bad debt expenses and reserve for guarantees	(2,442)	537
Employee benefits	143,182	137,129
Depreciation and amortization expenses	10,323	10,167
Other general and administrative expenses	16,673	17,301
Net income	<u>\$ -</u>	<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.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(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
- Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- Service charge discounts on transactions with related parties in an aggregate amount of NT\$5 million or more:None
- Receivables from related parties with amounts exceeding the lower of NT\$300 million or 10% of the capital stock:None
- Information on NPL disposal transaction:
 - Summary table of NPL disposal:None
 - 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)						
Number	Name of Company	Existing relationship with the counter-party	Account name	Amount	State of transaction	Percentage of the total consolidated revenue for the year
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	Demand deposits	174,556	Same as regular transaction	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Placement with banks	174,556	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	Time deposits	204,500	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Placement with banks	204,500	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	Other receivables	77,088	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Other payables	77,088	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	Service fees	698,872	"	1.45 %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Service fees	698,872	"	1.45 %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	Miscellaneous revenues	631	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Administrative revenues	631	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	Refundable deposits	808	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Guarantee deposits paid	808	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	Miscellaneous revenue	11,730	"	0.02 %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Operating expenses	11,730	"	0.02 %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	Interest payables	391	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Interest receivables	391	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	Interest expenses	396	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Interest incomes	396	"	- %

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(ix) Information on Investees:

The followings are the information on investees during 2021:

Number	Name of Company	Existing relationship with the counter-party	Account name	Amount	State of transaction	Percentage of the total consolidated revenue for the year
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	Other operating revenue	4,841	"	0.01 %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Right-of-use assets	5,239	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Goodwill	5,447	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Interest expense	85	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	Depreciation expense	4,732	"	- %

Note 1: Number is based on the following rules:

- The parent company is 0.
- Subsidiaries are numbered by company from 1.
- The relation with trader is numbered as follow:
 - The parent company to its subsidiary is 1.
 - The subsidiary to its parent company is 2.

Note 2: The transactions mentioned above have already write-off when building the financial report.

(x) Other significant transactions that may have substantial influence upon the decisions made by financial report users:None

(i) Information on investees' names, locations, etc. in China:

(In Thousands of New Taiwan Dollars)									
Name of the investee	Investee location	Major Operation	% of shares	Original investment amount	Capital assets occupied during the period	Shares held by the bank and related party at year-end	Notes	State of transaction	Percentage of the total consolidated revenue for the year
Hsin Nuo Investment Holdings Co., Ltd.	Taipei	Financial Holding	21.33 %	42,669,913	3,062,119	3,255,240	-	"	- %
Fung Eng Iron Works Co., Ltd.	Kaohsiung	Iron Industry	21.37 %	1,246,610	338,982	74,802	-	"	- %
Fu Yi Real Estate Management Co., Ltd.	Taipei	Real Estate Service	30.00 %	24,305	6,022	1,500	-	"	- %
Bank Taiwan Insurance Brokers Co., Ltd.	Taipei	Insurance Broker	100.00 %	378,702	68,763	2,000	-	"	- %

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 in the above table.

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 of transaction provided in Article 74 of the Act of Enforcement Rules, e.g. convertible corporate bond and warrant.

2) The "derivative products" referred to in the preceding paragraph shall comply with the definition of derivative products referred to in Statement of Financial Position.

Note 3: This transaction had been written off when preparation the consolidated financial statements.

(ii) Information on Investment in Mainland China:

The followings are the information on investment in Mainland China:

(In Thousands of New Taiwan Dollars)									
Investee Company	Investee location	Major Operation	% of shares	Original investment amount	Capital assets occupied during the period	Shares held by the bank and related party at year-end	Notes	State of transaction	Percentage of the total consolidated revenue for the year
Bank of Taiwan	Taipei	Financial Holding	21.33 %	42,669,913	3,062,119	3,255,240	-	"	- %
Bank of Taiwan	Taipei	Financial Holding	21.37 %	1,246,610	338,982	74,802	-	"	- %
Bank of Taiwan	Taipei	Real Estate Service	30.00 %	24,305	6,022	1,500	-	"	- %
Bank of Taiwan	Taipei	Insurance Broker	100.00 %	378,702	68,763	2,000	-	"	- %

Note 1: Three types of investments are as follows:

- Direct investment in Mainland China.
- Investment in Mainland China through a company set up in a third region.
- Via overseas branches.

Note 2: The net income from investees is not audited by an independent auditor, yet.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Unit: In thousands of TWD		
Current period of accumulated investment amount remitting from Taiwan	The rationed investing amount approved by Investment Commission, MOEA	The regulation announced by Investment Commission, MOEA rationed investing amount
13,023,000	13,023,000	241,312,534

(d) Subsidiaries lending to other parties, guarantees and endorsements for other parties, securities held as of December 31, 2021, 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.

	2021				
	Bank department	Government of Insurance	Department of Procurement	BankTaiwan Insurance Brokers	Reconciliation and elimination
Interest income	\$ 46,660,442	\$ 1,627,690	7	607	396
Less: interest expense	18,651,099	-	-	-	85
Interest income, net	28,009,343	1,627,690	-	607	311
Non-interest income, net	16,698,168	44,712,537	339,538	12,255	192,372
Other non-interest income	(6,830,955)	(46,167,667)	(12,300)	293,672	2,253
Net revenue	38,126,556	172,620	327,245	306,834	194,936
Bad debt expenses and reserve for guarantees	(2,588,807)	(2,442)	-	-	-
Operating expenses	(21,343,808)	(170,178)	(119,976)	(91,999)	(108,952)
Continuing operating income before income tax	\$ 16,523,941	-	207,269	214,835	85,984
Income tax	-	-	-	-	(68,787)
Continuing operating income after income tax	\$ 14,859,184	-	207,269	214,835	69,797
Total assets	\$ 5,171,010,315	\$ 453,730,368	2,627,071	1,190,699	496,476
Total liabilities	\$ 4,929,944,862	\$ 453,730,368	2,419,801	975,061	(80,856,857)

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

2020

	Bank department	Government of Insurance	Department of Procurement	BankTaiwan Insurance Brokers	Reconciliation and elimination	Total
Interest income	\$ 31,746,032	\$ 2,305,583	3	1,150	338	34,352,706
Less: interest expense	26,563,093	-	-	-	138	26,564,755
Interest income, net	5,182,939	2,305,583	3	1,150	200	7,488,013
Non-interest income, net	15,700,418	45,960,051	368,169	1,020	199,050	62,169,449
Other non-interest income	(6,031,179)	(48,101,572)	(11,907)	685,044	(984)	(5,531,211)
Net revenue	32,851,778	64,460	356,265	67,214	199,266	34,117,231
Bad debt expenses and reserve for guarantees	(3,102,289)	537	-	-	-	(3,100,809)
Operating expenses	(21,017,269)	(164,592)	(114,073)	(93,344)	(112,978)	(21,483,752)
Continuing operating income before income tax	\$ 11,522,286	-	242,191	561,870	88,288	12,343,405
Income tax	-	-	-	-	-	-
Continuing operating income after income tax	\$ 10,711,289	-	242,191	561,870	68,230	11,515,350
Total assets	\$ 5,083,795,276	\$ 399,416,876	2,456,043	1,845,520	480,292	\$ 5,398,790,232
Total liabilities	\$ 4,701,457,111	\$ 399,416,876	2,213,852	1,283,653	101,535	\$ 5,015,648,210

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, 2021 and 2020, 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Ruling No. 10802731571 issued by the FSC and the auditing standards generally accepted in Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of 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, 2020 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\$42,633,917 thousand and NT\$40,232,282 thousand as of December 31, 2021 and 2020, respectively, constituting 0.77% and 0.75% of the related total assets; nor the related shares of investment profit in associates accounted for using equity method of NT\$3,658,951 thousand and NT\$1,841,560 thousand for the years then ended, respectively, constituting 9.40% and 5.41% 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, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 relies 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 as of December 31, 2021. 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 procedures; (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, 2021 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, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



KPMG

Taipei, Taiwan (Republic of China)
March 18, 2022

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021			December 31, 2020			Liabilities and Equity	December 31, 2021			December 31, 2020		
	Amount	%		Amount	%			Amount	%		Amount	%	
Assets													
11000 Cash and Cash Equivalents	\$ 130,046,839	2		154,091,174	3			\$ 301,575,853	5		268,447,708	5	
11500 Placement With Central Bank and Call Loans to Banks	642,176,715	12		593,466,945	11	21000	Deposits of Central Bank and Other Banks	36,170,330	1		15,849,400	-	
12000 Financial Assets Measured at Fair Value through Profit or Loss	355,533,269	6		326,438,433	6	21500	Due to the central bank and banks	19,678,531	-		32,337,278	1	
12100 Financial Assets Measured at Fair Value through Other Comprehensive Income	995,955,988	18		991,067,914	18	22000	Financial Liabilities Measured at Fair Value through Profit or Loss	16,241	-		49,894	-	
12200 Debt Investments Measured at Amortized Cost	164,929,574	3		156,093,052	3	22500	Hedging Derivative Financial Liabilities, net	3,987,215	-		6,418,088	-	
13000 Receivables, net	58,763,314	1		53,437,162	1	23000	Bills and Bonds Sold under Repurchase Agreements	42,465,523	1		41,636,403	1	
13200 Current Income Tax Assets	1,497,504	-		2,100,741	-	23200	Payables	1,666,985	-		1,090,936	-	
13500 Loans and Discounts, net	2,940,449,487	52		2,869,204,520	53	23500	Current Income Tax Liabilities	4,209,976,571	77		4,173,100,442	78	
15000 Investments under Equity Method, net	44,259,229	1		41,512,229	1	24000	Deposits and Remittances	25,995,058	-		24,999,085	-	
15500 Other Financial Assets, net	30,159,160	1		37,763,270	1	25500	Financial Bonds Payables	423,216	-		924,671	-	
18500 Property and Equipment, net	138,881,762	3		139,161,426	3	25600	Other Financial Liabilities	476,714,994	9		420,235,522	8	
18600 Right-of-Use Assets, net	1,421,474	-		1,447,075	-	26000	Provisions	1,319,965	-		1,323,312	-	
18700 Investment Property, net	15,238,207	-		15,238,207	-	29300	Lease Liabilities	18,373,243	-		18,360,527	-	
19000 Intangible Assets, net	1,052,853	-		980,334	-	29500	Deferred Tax Liabilities	8,199,904	-		11,217,405	-	
19300 Deferred Tax Assets	451,527	-		618,378	-		Other Liabilities	5,146,567,629	93		5,015,990,671	93	
19500 Other Assets, net	27,938,284	1		16,511,833	-		Total liabilities						
							Equity attributable to owners of parent :						
						31101	Capital Stock	109,000,000	2		109,000,000	2	
						31500	Capital Surplus	108,453,043	2		108,453,043	2	
							Retained earnings:						
						32001	Legal Reserve	50,631,691	1		47,616,203	1	
						32003	Special Reserve	44,559,358	1		40,538,707	1	
						32005	Unappropriated Retained Earnings	27,079,745	-		22,803,090	-	
								122,270,794	2		110,958,000	2	
								62,463,720	1		54,730,979	1	
								402,187,557	7		383,142,022	7	
Total assets	\$ 5,548,755,186	100		5,399,132,693	100		Total equity	\$ 5,548,755,186	100		5,399,132,693	100	
							Total liabilities and equity						

BANK OF TAIWAN
Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2021		2020		Change
		Amount	%	Amount	%	%
Revenue and income:						
41000	Interest income	\$ 48,288,746	124	54,052,768	159	(11)
51000	Less: Interest expense	<u>18,651,099</u>	<u>48</u>	<u>26,565,093</u>	<u>78</u>	(30)
	Net interest income	29,637,647	76	27,487,675	81	8
Non-interest income, net						
49100	Service fees ,net	4,326,749	11	4,633,270	14	(7)
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	50,909,669	131	56,523,035	166	(10)
49310	Realized gains from financial assets measured at fair value through other comprehensive income	4,455,998	11	3,545,905	10	26
49600	Foreign exchange gain (loss)	(2,002,749)	(5)	(4,406,124)	(13)	55
49700	Gain on reversal (provision) of impairment loss on assets	6,435	-	(33,992)	-	119
49750	Share of profit (loss) of associates and joint ventures accounted for using equity method	4,066,696	10	1,767,565	5	130
49837	Premiums loss	663,748	2	1,634,164	5	(59)
49843	Sales income	411,131	1	846,871	2	(51)
48054	Subsidized income from government	7,721,076	20	7,784,351	23	(1)
49898	Excess preferential interest expenses	(6,842,192)	(18)	(8,469,704)	(25)	19
49871	Provisions for policyholders' reserve premium	(54,486,760)	(139)	(57,438,873)	(168)	5
49899	Excess interest expenses	<u>65,808</u>	<u>-</u>	<u>153,575</u>	<u>-</u>	(57)
	Net Revenue	<u>38,933,256</u>	<u>100</u>	<u>34,027,718</u>	<u>100</u>	14
58200	Bad debts expense, commitment and guarantee liability provision	<u>(261,249)</u>	<u>(1)</u>	<u>(310,089)</u>	<u>(1)</u>	(16)
Expenses:						
58500	Employee benefits expenses	(13,784,853)	(35)	(13,471,614)	(40)	2
59000	Depreciation and amortization expenses	(1,855,932)	(5)	(1,716,674)	(5)	8
59500	Other general and administrative expenses	<u>(6,085,177)</u>	<u>(16)</u>	<u>(6,202,994)</u>	<u>(18)</u>	(2)
	Total Expenses	<u>21,725,962</u>	<u>56</u>	<u>21,391,282</u>	<u>63</u>	2
	Profit from continuing operations before tax	16,946,045	43	12,326,347	36	37
61003	Less: Income tax expenses	<u>1,664,757</u>	<u>4</u>	<u>810,997</u>	<u>2</u>	105
	Net profit	<u>15,281,288</u>	<u>39</u>	<u>11,515,350</u>	<u>34</u>	33
65000	Other comprehensive income:					
65200	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
65201	Losses on remeasurements of defined benefit plans	(1,886,524)	(5)	(1,051,716)	(3)	(79)
65205	Change in fair value of financial liability attributable to change in credit risk of liability	66,727	-	23,007	-	190
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	13,691,633	35	(4,779,758)	(14)	386
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	679,401	2	(107,641)	-	731
65220	Less: 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	<u>12,551,237</u>	<u>32</u>	<u>(5,916,108)</u>	<u>(17)</u>	312
65300	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
65301	Exchange differences on translation of foreign financial statements	(339,843)	(1)	(1,084,186)	(3)	69
65308	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(5,109,095)	(13)	1,066,457	3	(579)
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	(1,213,672)	(3)	(111,518)	-	(988)
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(1,532)</u>	<u>-</u>	<u>13,137</u>	<u>-</u>	(112)
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(6,661,078)</u>	<u>(17)</u>	<u>(142,384)</u>	<u>-</u>	(4,578)
65000	Other comprehensive income	<u>5,890,159</u>	<u>15</u>	<u>(6,058,492)</u>	<u>(17)</u>	197
	Total comprehensive income	<u>\$ 21,171,447</u>	<u>54</u>	<u>5,456,858</u>	<u>17</u>	288
	Basic earnings per share(In dollars)	<u>\$ 1.40</u>		<u>1.06</u>		

BANK OF TAIWAN
Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Share capital	Capital surplus	Retained earnings			Other equity interest					Total equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial assets	Unrealized gains (losses) measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk	Gains (losses) on financial instruments for hedging	Other comprehensive income reclassified by applying overlay approach	
Balance at January 1, 2020	\$ 109,000,000	108,453,043	44,692,790	36,640,733	20,372,849	(1,350,223)	60,751,921	(109,236)	3,955	29,332	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)
Net income for the period	-	-	-	-	11,515,350	-	-	-	-	-	11,515,350
Other comprehensive income	-	-	-	-	(1,090,906)	(1,457,046)	(3,544,337)	23,007	32	10,758	(6,058,492)
Total comprehensive income	-	-	-	-	10,424,444	(1,457,046)	(3,544,337)	23,007	32	10,758	5,456,858
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(372,816)	-	372,816	-	-	-	-
Balance at December 31, 2020	109,000,000	108,453,043	47,616,203	40,538,707	22,803,090	(2,807,269)	57,580,400	(86,229)	3,987	40,090	383,142,022
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	3,015,488	-	(3,015,488)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,020,651	(4,020,651)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,125,912)	-	-	-	-	-	(2,125,912)
Net income for the period	-	-	-	-	15,281,288	-	-	-	-	-	15,281,288
Other comprehensive income	-	-	-	-	(1,927,800)	(473,744)	8,199,065	66,727	112	25,799	5,890,159
Total comprehensive income	-	-	-	-	13,353,488	(473,744)	8,199,065	66,727	112	25,799	21,171,447
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	85,218	-	(85,218)	-	-	-	-
Balance at December 31, 2021	\$ 109,000,000	108,453,043	50,631,691	44,559,358	27,079,745	(3,281,013)	65,694,247	(19,502)	4,099	65,889	402,187,557

BANK OF TAIWAN
Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 16,946,045	12,326,347
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,543,113	1,421,752
Amortization expense	365,210	346,089
Expected credit loss	261,249	310,089
Interest expense	18,651,099	26,565,093
Interest income	(48,288,746)	(54,052,768)
Dividend income	(9,165,666)	(7,905,140)
Net change in other provisions	54,486,006	55,794,041
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(4,066,696)	(1,767,565)
Loss on disposal of property and equipment	32,982	27,731
Impairment loss (Reversal profit) on financial assets	(20,140)	32,526
Impairment loss on non-financial assets	13,705	1,466
Total adjustments to reconcile profit	13,812,116	20,773,314
Changes in operating assets and liabilities:		
Increase in due from the central bank and call loans to banks	(4,784,509)	(2,048,699)
Increase in financial assets measured at fair value through profit or loss	(41,295,627)	(82,853,097)
Increase in financial assets measured at fair value through other comprehensive income	(100,474,135)	(12,911,099)
(Increase) decrease in investments in debt instruments measured at amortised cost	(3,947,260)	12,769,459
Decrease in financial assets for hedging	-	1,071
(Increase) decrease in receivables	(7,084,853)	3,020,346
Increase in discounts and loans	(71,556,827)	(193,288,108)
Decrease in other financial assets	7,604,108	2,395,175
Increase in other assets	(12,107,045)	(1,931,635)
Increase in deposits from the central bank and banks	33,128,145	39,194,175
Decrease in financial liabilities measured at fair value through profit or loss	(12,658,747)	(27,946,569)
(Decrease) increase in financial liabilities for hedging	(33,653)	24,357
Decrease in notes and bonds issued under repurchase agreement	(2,430,873)	(15,146,783)
Increase in payables	1,964,653	3,080,215
Increase in deposits and remittances	36,876,129	200,854,330
Increase in provisions for employee benefits	2,075,570	2,557,397
Increase (decrease) in other liabilities	68,668	(1,147,025)
Total adjustments	(160,844,140)	(52,603,176)
Cash outflow generated from operations	(143,898,095)	(40,276,829)
Interest received	49,985,936	57,584,582
Dividends received	9,951,091	9,488,204
Interest paid	(19,786,659)	(31,835,758)
Income taxes paid	(305,904)	(1,560,925)
Net Cash flows used in operating activities	(104,053,631)	(6,600,726)
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(716,689)	(1,932,863)
Proceeds from disposal of property and equipment	-	1,102
Increase in refundable deposits	-	(924,934)
Decrease in refundable deposits	755,644	-
Acquisition of intangible assets	(436,365)	(451,665)
Net cash flows used in investing activities	(397,410)	(3,308,360)
Cash flows from (used in) financing activities:		
Increase in due to the central bank and banks	20,320,930	15,849,400
Proceeds from issuing bank financial debentures	1,000,000	-
Increase in guarantee deposits received	-	1,669,566
Decrease in guarantee deposits received	(3,086,169)	-
Payment of lease liabilities	(603,246)	(577,142)
Decrease in other financial liabilities	(501,455)	(37,868)
Cash dividends paid	(2,181,976)	(2,925,912)
Net cash flows from financing activities	14,948,084	13,978,044
Effect of exchange rate changes on cash and cash equivalents	(462,041)	(1,412,029)
Net (decrease) increase in cash and cash equivalents	(89,964,998)	2,656,929
Cash and cash equivalents at beginning of period	925,188,389	922,531,460
Cash and cash equivalents at end of period	\$ 835,223,391	\$ 925,188,389
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 130,046,839	154,091,174
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	260,912,556	217,017,313
Other items qualifying for cash and cash equivalents under the definition of IAS 7	444,263,996	554,079,902
Cash and cash equivalents at end of period	\$ 835,223,391	\$ 925,188,389

See accompanying notes to parent company only financial statements.



Review of Financial Conditions, Financial Performance, and Risk Management

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Review of Financial Conditions, Financial Performance, and Risk Management

I. Analysis of Financial Status

Unit: NT\$1,000

Items \ Year	Dec. 31, 2021	Dec. 31, 2020	Change	
			Amount	%
Total Assets	5,548,409,858	5,398,790,232	149,619,626	2.77
Total Liabilities	5,146,222,301	5,015,648,210	130,574,091	2.60
Total Equity	402,187,557	383,142,022	19,045,535	4.97

Notes: 1. Consolidated financial reports serve as the accounting basis.

2. No major changes in total assets, total liabilities and total equity are found.

II. Financial Performance

Unit: NT\$1,000

Items \ Year	2021	2020	Change	
			Amount	%
Net Interest Income	29,638,043	27,488,013	2,150,030	7.82
Non-Interest Income, net	9,404,268	6,649,238	2,755,030	41.43
Net Revenue	39,042,311	34,137,251	4,905,060	14.37
Bad Debt Expense and Commitment and Reserve for Guarantees	261,249	310,089	(48,840)	(15.75)
Operating Expenses	21,817,820	21,483,757	334,063	1.55
Net Income before Tax	16,963,242	12,343,405	4,619,837	37.43
Income Tax Expenses	1,681,954	828,055	853,899	103.12
Net Income after Tax	15,281,288	11,515,350	3,765,938	32.70

Note: Consolidated financial reports serve as the accounting basis.

Analysis of changes in the value:

1. The increase in net income before tax in 2021 compared with 2020 was due mainly to an increase in net interest income and a decrease in excess interest paid on preferential-rate deposits.
2. The increase in net interest income in 2021 compared with 2020 was due mainly to the fact that the Central Bank announced an interest rate cut, which caused the drop in 2021 interest expenses to exceed the drop in interest income.
3. The increase in non-interest net income in 2021 compared with 2020 was due mainly to a decrease in excess interest paid on preferential-rate deposits.
4. The decrease in bad debt expense and commitment and reserve for guarantees in 2021 compared with 2020 was caused mainly by a decrease in provision for allowance for doubtful accounts.
5. Income tax expenses for 2021 were up from 2020, mainly due to an increase 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

Item	Year	2021	2020	Change	
				Amount	%
Net Cash Inflow (Outflow)		(89,964,998)	2,656,929	(92,621,927)	(3,486.05)

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	(2,735,810)
Decrease in net cash outflow from financial assets measured at fair value through profit or loss	41,557,470
Increase in net cash outflow from financial assets measured at fair value through other comprehensive income	(89,066,350)
Decrease in net cash inflow from debt investments measured at amortized cost	(16,716,719)
Decrease in net cash inflow from hedging financial assets	(1,071)
Decrease in net cash inflow from receivables	(8,611,364)
Decrease in net cash outflow from loans and discounts	121,810,065
Increase in net cash inflow from other financial assets	5,208,933
Increase in net cash outflow from other assets	(10,083,763)
Decrease in net cash inflow from deposits of Central Bank and other banks	(6,066,030)
Decrease in net cash outflow from financial liabilities measured at fair value through profit or loss	15,287,822
Decrease in net cash inflow from hedging financial liabilities	(58,010)
Decrease in net cash outflow from bills and bonds purchased under resell agreements	12,715,910
Decrease in net cash inflow from payables	(1,108,431)
Decrease in net cash inflow from deposits and remittances	(164,094,713)
Increase in net cash inflow from employee benefit obligations	1,177,669
Decrease in net cash outflow from other liabilities	193,108
Increase in net cash inflow from other operating activities	2,207,504
Decrease in net cash outflow from investing activities	2,819,191
Increase in net cash inflow from financing activities	1,992,672
Others	949,990
Total	(92,621,927)

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 Balance (a)	Annual Net Cash Flow from Operating Activities (b)	Annual Net Cash Flow from Other Activities (c)	Cash Balance (Shortage) (a)+(b)+(c)	Remedy for Estimated Cash Shortage	
				Investment Plan	Financial Plan
835,223,421	635,025	3,301,911	839,160,357	-	-

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.

As the COVID-19 pandemic gradually came under better control, the Bank benefitted from a global economic recovery and its investee enterprises enjoyed stable profitability. In 2021, the Bank's investment gains (recognized under the equity method) plus stock dividends came to a total of roughly NT\$7.013 billion (including BOT subsidiary BankTaiwan Insurance Brokers Co. Ltd), so investment performance was quite good.

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 2021

Items	Contents
Credit Risk Strategies, Goals, Policies, and Procedures	1. Credit Risk Strategies, Goals, and Policies (1) In accordance with the loan, investment strategies and operating directions approved by the Board of Directors, and in compliance with 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. (2) The Bank will establish and effectively implement a healthy credit risk management mechanism to lower credit risk, and achieve operating targets. (3) 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. 2. Credit Risk Management Procedures (1) 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. (2) 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. (3) 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; monitoring of asset quality; full allocation of loss provisions; and adequate capital provision.
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	1. 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. 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. 2. Credit Risk Measuring System (1) The Bank conducts periodic credit reviews and follow-up evaluations to improve its post-loan understanding of the financial (and operating) condition of customers, and for customers that fare poorly in their credit reviews the Bank increases the frequency of follow-up evaluations and reports its findings to senior management. (2) System for reporting of material unforeseen events: If a business unit is discovered to be involved in irregular business practices or litigation, to be experiencing financial difficulties, or to be otherwise affected by a material unforeseen event, the Bank promptly uses its reporting system to report the matter to the unit responsible for that line of business, and continues to pay close attention to the situation. (3) Assessment of asset impairments and provision of asset valuation reserve: For credit assets, the Bank uses a three-stage model for recognition of credit losses, with possible impairments assessed either by portfolio or individually on the basis of loss given default (LGD) and exposure at default (EAD). Allowances for bad debts are set aside accordingly.
Credit Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	1. Credit Risk Hedging and Mitigation Policy (1) The Bank adopted risk concentration limits for firms 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 collateral to seek the provision of collateral or guarantees to augment the creditworthiness of borrowers and lower credit risk. 2. Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments (1) 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. Scheduled reports are submitted to the Risk Management Committee for use in compiling statements on effective strategies and procedures, and in studying countermeasures. (2) The Bank has set up a collateral management system that can effectively handle its collateral and calculate accurately of the results of collateral mitigation.
Method of Legal Capital Allocation	Standardized Approach

B. Exposure and Accrued Capital Following Risk Mitigation Using the Standardized Credit Risk Approach

Dec. 31, 2021

Unit: NT\$1,000

Type of Exposure	Exposure Following Risk Mitigation	Accrued Capital
Sovereign Nations	1,526,726,991	141,853
Non-Central Government Public Sector	663,090,808	20,609,201
Banks (Including Multilateral Development Banks)	437,783,661	18,225,118
Enterprises (Including Securities and Insurance Firms)	609,062,971	52,536,542
Retail Loans	213,186,494	8,102,046
Real Estate	1,439,163,640	86,666,579
Equity Investment	42,265,052	4,437,830
Equity Investments in Investment Funds and Venture Capital firms	1,960	2,573
Other Assets	229,866,359	17,564,706
Total	5,161,147,936	208,286,448

Notes: 1. Capital charge = Exposure amount after risk mitigation × Risk weight and minimum regulatory capital ratio (10.5% in 2019).

2. Securitization risk has not been factored into the figures in this table.

(2) Securitization Risk Management System, Exposure, and Accrued Capital

A. Securitization Risk Management System

Year 2021

Items	Contents
Securitization Management Strategies and Procedures	1. The Bank has not acted as the originator of securitized products, but only as investor. 2. 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, 2021

Unit: NT\$1,000

Bank	Type of Exposure Book	Asset Class	Traditional					Synthetic		Total		
			Risk Exposure				Accrued Capital (2)	Risk Exposure	Accrued Capital (4)	Risk Exposure (5)=(1)+(3)	Accrued Capital (6)=(2)+(4)	Accrued Capital before Securitization
			Retention or Purchasing	The Provision of Liquidity Facilities	The Provision of Credit Enhancement	Subtotal (1)		Retention or Purchasing (3)				
Non-Originating Bank	Banking Book	MBS	2,802,892	0	0	2,802,892	58,861	0	0	2,802,892	58,861	
		ABS	0	0	0	0	0	0	0	0	0	
	Trading Book	REITs	36,124	0	0	36,124	5,924	0	0	36,124	5,924	
	Subtotal		2,839,016	0	0	2,839,016	64,785	0	0	2,839,016	64,785	
Originating Bank	Banking Book											
	Trading Book											
	Subtotal											
Total			2,839,016	0	0	2,839,016	64,785	0	0	2,839,016	64,785	

D. Securitized Product Information

a. Summary of information about investment in securitization products

Dec. 31, 2021

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	1,662,981	-58,227	0	1,604,754
Mortgage-Backed Securities (MBS)	130224 Financial assets measured at amortized cost -noncurrent	1,254,390	261	0	1,254,651
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	26,533	9,591	0	36,124

Notes: 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, 2021

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 2018-120 JP MTGE (US38380YVQ50)	130222Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Sep. 6, 2018	Sep. 20, 2048	4%	Aaa/AA+/AAA	Interest and principal paid monthly	40,529	1,477	0	42,006	N.A.	First-Lien Mortgage Loans
GNR 2018-154 TP MTGE (US38381AVP82)	130222Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Nov. 2, 2018	Nov. 20, 2048	4%	Aaa/AA+/AAA	Interest and principal paid monthly	25,424	1,083	0	26,507	N.A.	First-Lien Mortgage Loans
GNR 2019-18 EC MTGE (US38381BZ989)	130222Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Feb. 1, 2019	Nov. 20, 2048	3.5%	Aaa/AA+/AAA	Interest and principal paid monthly	27,624	1,235	0	28,859	N.A.	First-Lien Mortgage Loans
GNR 2020-148 BA MTGE (US38382KYK32)	130222Financial 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	412,662	-8,778	0	403,884	N.A.	First-Lien Mortgage Loans
GNR 2020-167 GY MTGE (US38382LAB71)	130222Financial 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	474,837	-24,343	0	450,494	N.A.	First-Lien Mortgage Loans
GNR 2020-183 CB MTGE (US38382LUT69)	130222Financial 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	681,905	-28,901	0	653,004	N.A.	First-Lien Mortgage Loans
FNR 2021-1 KB MTGE (US3136BDX784)	130224Financial assets measured at amortized cost -non-current	USD	FANNIE MAE(US)	Jan. 28, 2021	Feb. 25, 2051	1%	Aaa/AA+/AAA	Interest and principal paid monthly	737,342	151	0	737,493	N.A.	First-Lien Mortgage Loans
FHR 5085 JA MTGE (US3137FFYW18)	130224Financial assets measured at amortized cost -non-current	USD	FREDDIE MAC(US)	Feb. 3, 2021	Mar. 25, 2051	1.25%	Aaa/AA+/AAA	Interest and principal paid monthly	517,048	110	0	517,158	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 2021

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	1. 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. 2. 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. 3. 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. 4. 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. 5. The units in charge of different areas of business have established business rules, operating manuals and standard operating procedures in order to distinguish operational risk. 6. The different units bank-wide carry out their various businesses in accordance with business rules, operating manuals, and standard operating procedures. 7. 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	1. 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. 2. 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. 3. 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	1. 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, 2021

Unit: NT\$1,000

Year	Gross Income	Accrued Capital
2019	37,813,327	
2020	30,608,161	
2021	34,691,968	
Total	103,113,456	5,043,919

(4) Market Risk Management System and Accrued Capital

A. Market Risk Management System

Year 2021

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. The Bank also 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	1. 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, and trading units. 2. 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. 3. The Risk Management Committee is responsible for the Bank's risk management policy, rules, organization, overall risk assessment, supervision, and examining revision affairs. 4. The Department of Risk Management is responsible for the planning and revision of risk management, handles formulation and integration of risk management regulations. 5. Units in charge of the various lines of business adopt internal business rules and operating procedures. They also monitor and control the risk management performance of each trading unit, and work with the Department of Risk Management to control all risks faced by the Bank as a whole. 6. 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	1. 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. 2. The Bank currently uses the standardized market risk approach to calculate capital allocation, and establish a "Risk Management Information System" which are used to compile monitoring reports for ranking executives, the Risk Management Committee, and the Board of Directors. 3. 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	1. 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. 2. 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. (2) 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, 2021

Unit: NT\$1,000

Risk Category	Accrued Capital
Interest Rate Risk	2,796,330
Equity Security Risk	3,220,448
Foreign Exchange Risk	1,842,388
Option Risk	0
Commodity Risk	0
Total	7,859,166

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, 2021

Unit: NT\$ 1,000

Items	Total	Amounts by Time Remaining before Maturity					
		0-10 days	11-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Major Inflows of Matured Funds	5,200,511,737	437,677,304	525,877,704	579,908,494	406,798,099	675,694,077	2,574,556,059
Major Outflows of Matured Funds	6,652,728,309	402,381,140	364,647,381	621,108,782	703,897,137	1,474,517,482	3,086,176,387
Period Gap	-1,452,216,572	35,296,164	161,230,323	-41,200,288	-297,099,038	-798,823,405	-511,620,328

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, 2021

Unit: US\$ 1,000

Items	Total	Amounts by Time Remaining before Maturity				
		0-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Major Inflows of Matured Funds	48,756,532	14,562,541	11,631,007	6,185,815	7,660,878	8,716,291
Major Outflows of Matured Funds	49,626,106	13,230,883	10,499,959	8,656,292	5,689,135	11,549,837
Period Gap	-869,574	1,331,658	1,131,048	-2,470,477	1,971,743	-2,833,546

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

Climate change, corporate governance, corporate social responsibility, and other sustainability issues have come to attract considerable concern, which increases the complexity of bank business. BOT intends to carefully monitor international sustainability initiatives, pay close attention to how the government's major financial and economic policies are likely to affect the Bank's development, and take timely response measures to reduce impact upon financial and business operations.

(2) Impact of Changes in Major Domestic and Overseas Laws on the Bank's Financial Operations, and Countermeasures

A. Domestic: 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.

B. Oversea: 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 (Including Cyber Security Risks) and Industrial Changes on the Bank's Financial Operations, and Countermeasures

(1) Impact of Technological Changes on the Bank's Financial Operations, and Countermeasures

Fintech progress has changed the face of financial services. Customers increasingly prefer convenient shopping and financial services that can be accessed from anywhere. One of the key tasks facing financial institutions now is the need to build bridges between financial products and customers. Network technologies are clearly the most important aspect of part of any solution.

A. To develop a diverse range of payment channels and generate increased fee income, the Bank's tuition and fees payment portal provides LINE Pay Money, Jkopay, and other payment channels.

B. To provide customers with a quicker and more convenient way to login to its online banking portal, the mobile version of BOT's online bank provides an "online banking page quick login" to make it easy for customers with mobile phones to use a biometric ID to login to the BOT online banking page.

- C. To provide customers with better services, the BOT online bank hooks up with its insurance brokerage APIs to check the details of any life insurance policies that a customer may have purchased from BOT. This information is then available for viewing via the "My Insurance" page on the BOT online banking page.
 - D. To support the reward points service of the government's Integrated Platform for FinTech R&D Breakthroughs by Government-Invested Enterprises, the Bank has added a Taiwan Pay reward points function to its domestic Taiwan Pay mobile payments app. This measure is designed to increase customer stickiness and expand long-tail niche opportunities.
 - E. The Bank has expanded the functionality of its cloud banking online application platform. Non-BOT customers are now allowed to apply for digital deposit accounts, a cardless verification function has been added, and customers can use either a computer or a mobile phone to conveniently apply for digital deposit accounts. As for loans, customers are now allowed to apply online for financing under the Low-Interest Nest-building Loan Program, and in support of the government's policy on the COVID-19 pandemic, the Bank allows customers to apply online for labor relief loans and to complete loan-related identity confirmation procedures, as well. This approach minimizes in-person contact and reduces the risks faced by the Bank's front-line service personnel.
 - F. The Bank has added to the services available on its corporate e-banking platform. Corporate customers are now able to apply online for services, independent account management for multiple corporate divisions, and other services. The Bank now provides more streamlined and convenient application procedures, and a more flexible online fund movement system.
- (2) Impact of Cyber Security Risks on the Bank's Financial Operations, and Countermeasures
- A. To ensure safety in the Bank's use of Internet-of-Things equipment and reduce operational risks, the Bank — acting in accordance with the "Rules Governing Security Controls for Financial Institutions in Their Use of Internet-of-Things Devices" (issued by the Bankers Association of the Republic of China) — adopted a set of "Standard Operating Procedures for IoT Equipment Management" and instructed its various units to act in compliance therewith. Also, the Bank periodically instructs its various units to conduct IoT equipment inventories, and has designed IoT equipment safety training courses for its employees involved IoT equipment management. The purpose of these courses is to make Bank employees more conscious of the need to keep IoT equipment in safe working order.
 - B. With cyber security awareness on the rise, the Financial Supervisory Commission (FSC) in late 2021 required companies listed on the Taiwan Stock Exchange or the Taipei Exchange to appoint a chief cyber security officer and establish a dedicated unit responsible for cyber security, which focused attention on Taiwan's shortage of cyber security personnel. To avoid being affected by this problem the BOT, in addition to stepping up its efforts to cultivate cyber security personnel, also encourages employees to actively test for international cyber security qualifications, notes the holding of such qualifications as a positive factor in promotion reviews, and is cultivating in-house cyber security personnel.

(3) 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 quarterly 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, thereby reducing credit risk.

C. Enhancement of credit examiner professionalism

The Bank has purchased outside industry databases and 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 make optimum use of its big customer base to tap into synergies. The Bank will also 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. Its overseas service network is growing increasingly mature, and is effectively improving BOT service quality. The Bank is planning very carefully 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 revenue is interest income, and changes in interest rates have a relatively large influence on the Bank's revenue. 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 the "BOT Emergency Response Manual," the "BOT Instructions for Crisis Notification Procedures," the "BOT Operation Crisis Response Countermeasures," the "BOT Operations Non-Interruption Plan," the "BOT Crisis Reporting System," the "Emergency Contact Numbers for Headquarters and Branches," the "Computer Security Incident Response Team (CSIRT)," and the "BOT Response Measures for the COVID-19 Pandemic." The Bank continues to amend all of the foregoing as necessary.



Special Disclosure

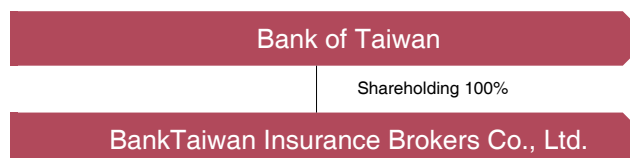
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I . Information on Affiliated Enterprises

Special Disclosure

I. Information on Affiliated Enterprises

1. The Bank's Subsidiaries (Dec. 31, 2021)



2. Basic Data of the Bank's Subsidiaries

Dec. 31, 2021

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, 2021

Enterprise Name	Position	Company Name and Representative	Shareholding	
			Shares	%
BankTaiwan Insurance Brokers Co., Ltd.	Chairman Director Director Supervisor Acting President	Bank of Taiwan Legal Representative: Kang, Fan Legal Representative: Ho, Ming-Yao Legal Representative: Chow, Bin Legal Representative: Hsu, Ning-Yung Kang, Fan	2,000,000	100%

4. Operation Overview of the Bank's Subsidiaries

Dec. 31, 2021

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	496,476	164,346	332,130	891,292	83,420	68,787	34.39



Directory of Head Office and Branches

220 I . Domestic Business Units

220 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 Chiyoo-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, Taijiang 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, 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

Joseph Yu



臺灣金控
TAIWAN FINANCIAL HOLDINGS



臺灣銀行
BANK OF TAIWAN



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