Stock Code:5868

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

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

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

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LETTER OF DECLARATION

The entities that are required to be included in the combined financial statements of Taiwan Financial Holding Co., Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Financial Holding Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Truthfully yours,

TAIWAN FINANCIAL HOLDING CO., LTD.

By

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Joseph Jye-Cherng Lyu
Chairman

March 24, 2022

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Independent Auditors' Report

To the Board of Directors of Taiwan Financial Holding Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Taiwan Financial Holding Co., Ltd. ("the Company") and its subsidiaries ("the Company and subsidiaries"), 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 December 31, 2021 and 2020, 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 Company and subsidiaries as at December 31, 2021 and 2020, and their consolidated operations and cash flows for the years then ended in accordance with the Regulations Governing the Praparation of Financial Reports of Financial Holding Companies and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), International Financial Reporting interpretations ("IFRICS"), and the Standing Interpretations Committee ("SICs") as well as related guidelines 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 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 Consolidated Financial Statements section of our report. We are independent of Taiwan Financial Holding Co., Ltd. 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 Audit Act and other governmental regulations of Taiwan, the financial statements of the Company and subsidiaries are required to be examined and certified by the Ministry of Audit ("MoA"). The financial statements of the Company and subsidiaries as of, and for year ended December 31, 2020 were restated to reflect the adjustments made by the MoA. 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), we have not audited the financial statements of Hua Nan Financial Holdings Co., Ltd. and Tai Yi Real Estate Co., Ltd. The Company and subsidiaries recognized their investments in Hua Nan Financial Holdings Co., Ltd. and Tai Yi Real Estate Co., Ltd. under equity method amounting to $50,340,978 thousand and $47,505,325 thousand respectively, constituting 0.84% and 0.82% of the consolidated total assets as of December 31, 2021 and 2020, respectively; and their shares of investment profits in associates accounted for using equity method amounting to $4,319,758 thousand and $2,174,026 thousand, respectively, constituting 3.86% and 1.71% of the related consolidated net revenue for the year ended December 31, 2021 and 2020, respectively. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for those companies, is based solely on the reports 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 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 valuation of financial instruments

   Please refer to Note 4(f) "Financial instruments" for related accounting policy, Note 5(b) "The fair value valuation of non-active market or non-quoted financial instruments" for the uncertainty of the assumptions and estimations, 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

   Of the financial instruments measured at fair value through profit and loss and other comprehensive income held by the Company and subsidiaries, fair value of the financial instruments, other than those that the fair value can be observed in an open market, shall be calculated via models. The parameters of modeling inputs often involved the exercise of judgment and may have significant impact on the results. The financial assets and liabilities measured at fair value held by the Group as of December 31, 2021 are material to the Company and subsidiaries testing the control. 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 principal audit procedures included (i) testing the controls over the investment cycle and related financial reporting process, including initial recognition, subsequent measurement and disclosure; (ii) sampling to test whether the fair values of the financial instruments measured at fair value with an active market are appropriate; (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 Company and subsidiaries used when deemed necessary; (iv) assessing whether the fair value information is disclosed in accordance with the International Financial Reporting Standards.

2. The assessment of impairment of financial assets expected credit loss

Please refer to Note 4(p) “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 based on IFRS 9, the Company and subsidiaries 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. Furthermore, the financial assets that require impairment testing as of December 31, 2021 are material to the Company and subsidiaries. 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, understanding the Company's and subsidiaries' 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 Company's and subsidiaries' 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.

3. The assessment of insurance liabilities

Please refer to Note 4(t) “Insurance liabilities” for related accounting polices, Note 5(d) “Insurance liabilities and reserves of insurance policy with financial instrument nature” for the uncertainty of accounting estimation and assumptions, and Note 6(ab) “Insurance contracts and financial products with discretionary participation feature” for the details of assessment of the insurance liabilities.

Description of key audit matters

The major business activity of Bank Taiwan Life Insurance Co., Ltd.(“BTLI”) is to provide life insurance. To strengthen its financial structure and the capability of fulfilling future obligation, BTLI is required to set aside various statutory reserves calculated based on each product’s characteristic and its undue risk in accordance with the Insurance Act and “Regulations Governing Insurance Enterprises for Setting Aside Various Reserves”. The evaluation of the adequacy of insurance liabilities involved the assumptions of morbidity rate, expense rate, discount rate, default rate, future cash flows, etc., which all rely on the judgment and experiences of the management and may cause a significant impact on the recognition of insurance liability. Therefore, the assessment of the insurance liability 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) testing the internal process of the provision of statutory reserves; (ii) inspecting the related minutes of BTLI’s Board of Directors and the committee of asset-liability management; (iii) obtaining BTLI’s a liability adequacy test report prepared by a third party and assessing the qualification of the actuaries; (iv) appointing KPMG’s actuaries to re-assess the reasonableness of significant assumptions and the conformity of the regulations; (v) assessing whether the disclosures of the reserves of BTLI are in compliance with the relevant accounting standards and guidelines.

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, the Regulations Governing the Praparation of Financial Reports of Financial Holding Companies and with the IFRSs, IASs, IFRICs, and SICs as well as related guidelines 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 Company's and subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries 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 Company's and subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and subsidiaries’ internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and subsidiaries’ ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit.

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 24, 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.

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

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

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
	Assets	**Amount**	**%**	**Amount**	**%**
11000	Cash and Cash Equivalents (note 6(a), 7, 8 and 10)	$ 140,150,912	2	175,429,257	3
11500	Placement with Central Bank and Call Loans to Banks (note 6(b), 7, 8, 10 and 11)	642,176,715	11	593,466,945	10
12000	Financial Assets Measured at Fair Value through Profit or Loss (note 6(c), 7, 8 and 10)	404,208,449	7	364,388,113	6
12150	Financial Assets Measured at Fair Value through Other Comprehensive Income (note 6(d), (q), 7, 8, 10 and 11)	1,004,880,566	17	999,234,437	18
12200	Debt Investments Measured at Amortized Cost (note 6(i), (q), 7, 8 and 11)	490,346,734	8	454,803,521	8
12500	Bills and Bonds Purchased under Resell Agreements (note 6(f), 7 and 8)	7,066,040	-	19,820,982	-
13000	Receivables, net (note 6(g), 7, 8 and 10)	72,677,707	1	69,647,570	1
13200	Current Income Tax Assets	2,545,024	-	3,623,060	-
13500	Loans and Discounts, net (note 6(h), 7, 8 and 10)	2,913,336,941	49	2,853,549,014	50
13700	Reinsurance Assets, net	9,045	-	13,424	-
15000	Investments under Equity Method, net (note 6(j))	51,587,588	1	48,406,403	1
15500	Other Financial Assets, net (note 6(k), (q),7, 8 and 10)	58,645,296	1	50,439,313	1
18000	Investments Property, net (note 6(l))	24,239,564	-	23,577,763	-
18500	Property and Equipment, net (note 6(m), (q) and 11)	141,148,816	2	141,381,159	2
18600	Right-of-Use Assets, net (note 6(n))	1,308,746	-	1,325,280	-
19000	Intangible Assets (note 6(o))	1,184,535	-	1,082,826	-
19300	Deferred Tax Assets (note 6(ah))	4,969,167	-	5,146,150	-
19500	Other Assets (note 6(p) and 11)	34,445,676	1	16,136,154	-
	Total assets	**$ 5,994,927,521**	**100**	**5,821,471,371**	**100**

		December 31, 2021		December 31, 2020	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
21000	Deposits of Central Bank and Other Banks (note 6(r), 7 and 10)	$ 301,575,853	5	268,447,708	5
21500	Loans from Central Bank (note 6(b) and (s))	36,170,330	1	15,849,400	-
22000	Financial Liabilities Measured at Fair Value through Profit or Loss (note 6(t) and 7)	19,469,423	-	31,899,064	1
22300	Hedging (Derivative) Financial Liabilities (note 6(e) and 7)	16,241	-	49,894	-
22500	Bills and Bonds Sold under Repurchase Agreements (note 6(f), 7 and 8)	6,808,895	-	9,212,050	-
22600	Commercial Paper Payables, net (note 6(u) and 7)	869,837	-	604,902	-
23000	Payables (note 6(v), 7 and 10)	50,151,374	1	51,217,836	1
23200	Current Income Tax Liabilities	1,913,358	-	1,212,974	-
23500	Deposits and Remittances (note 6(w), 7 and 10)	4,195,484,066	71	4,160,605,144	72
24000	Financial Bonds Payables (note 6(x) and 7)	25,999,058	-	24,999,085	-
24600	Provision (note 6(aa), (ab), (ac) and (ad))	916,170,476	16	843,115,771	15
25500	Other Financial Liabilities (note 6(z))	9,233,498	-	3,943,113	-
26000	Lease Liabilities (note 6(ae))	1,210,595	-	1,205,735	-
29300	Deferred Tax Liabilities (note 6(ah))	18,684,707	-	18,888,500	-
29500	Other Liabilities (note 6(ag))	13,143,177	-	12,336,395	-
	Total liabilities	5,596,900,888	94	5,443,587,571	94
	Equity attributable to owners of parent (note 6(ai)):				
31101	Capital Stock	103,125,000	2	103,125,000	2
31500	Capital Surplus	140,260,226	2	140,260,226	2
	Retained earnings:				
32001	Legal Reserve	9,259,392	-	8,527,130	-
32003	Special Reserve	56,150,735	1	51,757,163	1
32011	Unappropriated Retained Earnings	25,568,303	-	18,389,451	-
	Total retained earnings	90,978,430	1	78,673,744	1
32500	Other Equity	63,662,977	1	55,824,830	1
	Total equity	398,026,633	6	377,883,800	6
	Total liabilities and equity	**$ 5,994,927,521**	**100**	**5,821,471,371**	**100**

See accompanying notes to consolidated financial statements.

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

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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(aj) and 10)	$ 58,702,450	53	64,397,220	50	(9)
51000	Interest expense (note 6(aj))	(18,650,784)	(17)	(26,558,059)	(21)	(30)
	Net income of interest (note 6(aj))	40,051,666	36	37,839,161	29	6
	Non-interest income, net					
49800	Service fees, net (note 6(ak) and 10)	5,015,014	4	4,591,055	4	9
49825	Gains (losses) on real estate investment, net (note 6(l))	126,889	-	86,080	-	47
49890	Share of profits (losses) of associates and joint ventures accounted for using equity method (note 6(j))	4,658,740	4	2,031,772	2	129
49810	Premium gains (losses) (note 6(as))	5,225,772	5	27,705,605	22	(81)
49820	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss (note 6(c) and (al))	53,518,518	49	65,751,691	51	(19)
49835	Realized gains (losses) from financial assets measured at fair value through other comprehensive income (note 6(am) and 10)	4,757,445	4	3,852,288	3	23
49850	Net gains (losses) from derecognition of financial assets measured at amortized cost (note 6(i))	1,590,364	1	2,366,851	2	(33)
49870	Foreign exchange gains (losses)	(4,630,758)	(4)	(16,790,704)	(13)	72
49880	Impairment gain and reversal (impairment loss) of assets (note 6(q))	(624)	-	(49,764)	-	99
49898	Profits (losses) reclassified to other comprehensive income using overlay approach (note 6(c))	339,929	-	(476,817)	-	171
	Net other non-interest income (losses)					
49943	Inventory sales income (note 6(p) and (an))	411,131	-	846,871	1	(51)
48100	Subsidized income from government (note 6(an))	7,721,076	7	7,784,351	6	(1)
49999	Other miscellaneous income (note 6(ae) and (an))	81,555	-	144,509	-	(44)
58090	Excess interest expenses (note 6(g) and (an))	(6,926,216)	(6)	(8,538,127)	(7)	19
	Net Revenue	111,940,501	100	127,144,822	100	(12)
58100	Bad debt expense and reserve for guarantees (note 6(h))	(247,711)	-	(307,686)	-	(19)
58300	Provisions for policyholder's reserve premium	(71,376,788)	(64)	(95,364,651)	(75)	(25)
	Expenses:					
58501	Employee benefits expenses (note 6(ao) and 10)	(14,909,601)	(13)	(14,555,773)	(11)	2
58503	Depreciation and amortization expenses (note 6(ap))	(1,909,150)	(2)	(1,755,998)	(1)	9
58599	Other general and administrative expenses (note 6(aq))	(6,586,323)	(6)	(6,622,762)	(5)	(1)
	Total Expenses	(23,405,074)	(21)	(22,934,533)	(17)	2
	Profit from continuing operations before tax	16,910,928	15	8,537,952	8	98
61003	**Less: Income Tax Expenses (note 6(ah))**	1,209,062	1	(457,152)	-	(364)
	Net profit	15,701,866	14	8,995,104	8	75
69500	**Other comprehensive income:**					
69560	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**					
69561	Gains (losses) on remeasurements of defined benefit plans (note 6(ac))	(1,987,651)	(2)	(1,074,332)	(1)	(85)
69565	Change in fair value of financial liability attributable to change in credit risk of liability	66,727	-	23,007	-	190
69567	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	14,248,380	13	(4,964,232)	(4)	387
69563	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 (note 6(j))	813,738	1	(135,409)	-	701
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(ah))	(2,263)	-	(17,143)	-	87
	Components of other comprehensive income that will not be reclassified to profit or loss	13,143,457	12	(6,133,823)	(5)	314
69570	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**					
69571	Exchange differences on translation of foreign financial statements	(340,784)	-	(1,087,934)	(1)	69
69583	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(5,152,468)	(5)	1,039,193	1	(596)
69575	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 (note 6(j))	(1,433,217)	(1)	(131,695)	-	(988)
69590	Other comprehensive income on reclassification under the overlay approach (note 6(c))	(339,929)	-	476,817	-	(171)
69579	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(ah))	11,510	-	18,995	-	(39)
	Components of other comprehensive income that will be reclassified to profit or loss	(7,277,908)	(6)	277,386	-	(2,724)
69500	**Other comprehensive income (loss)**	5,865,549	6	(5,856,437)	(5)	200
	Total comprehensive income, net of tax for the year	$ 21,567,415	20	3,138,667	3	587
	Basic earnings per share (In dollars) (note 6(ar))	$	1.52		0.87	

See accompanying notes to consolidated financial statements.

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

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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: Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Undistributed earnings	Retained earnings: Total	Total other equity interest: 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	Total equity
Balance at January 1, 2020	$ 103,125,000	140,260,226	7,840,566	47,637,781	15,872,777	71,351,124	(1,405,583)	61,346,295	(109,236)	3,955	148,813	59,984,244	374,720,594
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	686,564	-	(686,564)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,119,382	(4,119,382)	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	8,995,104	8,995,104	-	-	-	-	-	-	8,995,104
Other comprehensive income	-	-	-	-	(1,126,378)	(1,126,378)	(1,527,486)	(3,701,469)	23,007	32	475,857	(4,730,059)	(5,856,437)
Total comprehensive income	-	-	-	-	7,868,726	7,868,726	(1,527,486)	(3,701,469)	23,007	32	475,857	(4,730,059)	3,138,667
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(570,645)	(570,645)	-	570,645	-	-	-	570,645	-
Changes in special reserve	-	-	-	-	24,539	24,539	-	-	-	-	-	-	24,539
Balance at December 31, 2020	103,125,000	140,260,226	8,527,130	51,757,163	18,389,451	78,673,744	(2,933,069)	58,215,471	(86,229)	3,987	624,670	55,824,830	377,883,800
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	732,262	-	(732,262)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,393,572	(4,393,572)	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(1,424,582)	(1,424,582)	-	-	-	-	-	-	(1,424,582)
Net income for the period	-	-	-	-	15,701,866	15,701,866	-	-	-	-	-	-	15,701,866
Other comprehensive income	-	-	-	-	(2,014,047)	(2,014,047)	(498,717)	8,641,472	66,727	112	(329,998)	7,879,596	5,865,549
Total comprehensive income	-	-	-	-	13,687,819	13,687,819	(498,717)	8,641,472	66,727	112	(329,998)	7,879,596	21,567,415
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	41,449	41,449	-	(41,449)	-	-	-	(41,449)	-
Balance at December 31, 2021	**$ 103,125,000**	**140,260,226**	**9,259,392**	**56,150,735**	**25,568,303**	**90,978,430**	**(3,431,786)**	**66,815,494**	**(19,502)**	**4,099**	**294,672**	**63,662,977**	**398,026,633**

See accompanying notes to consolidated financial statements.

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

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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:		
Income before income tax	$ 16,910,928	8,537,952
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	1,641,755	1,517,119
Amortization expenses	398,612	367,515
Allowance on bad debts	356,499	230,209
Net gain on financial assets or liabilities at fair value through profit or loss	(37,849,135)	(48,543,912)
Interest expense	18,650,784	26,558,059
Interest income	(58,702,450)	(64,397,220)
Dividend income	(10,553,038)	(9,442,611)
Net change in provisions for guarantee reserves	(108,788)	77,477
Net change in other reserves	70,853,612	93,486,346
Share of profit of associates and joint ventures accounted for using equity method	(4,658,740)	(2,031,772)
Profit (loss) reclassified by applying overlay approach	(339,929)	476,817
Loss on disposal of property and equipment	34,360	29,415
Gain on disposal of investments	(1,590,364)	(2,366,851)
Impairment (reversal gain) loss on financial assets	(13,081)	48,298
Impairment loss on non-financial assets	13,705	1,466
Subtotal of income of non-cash activities	(21,866,198)	(3,989,645)
Changes in operating assets and liabilities:		
Increase in due from the central bank and call loans to banks	(4,784,508)	(2,048,699)
Increase in financial assets measured at fair value through profit or loss	(13,832,063)	(23,307,591)
Increase in financial assets measured at fair value through other comprehensive income	(100,459,644)	(6,737,495)
(Increase) decrease in investments in debt instruments measured at amortized cost	(29,071,860)	3,713,633
Decrease in financial assets for hedging	-	1,071
Decrease in securities purchased under agreements to resell	111,488	248,884
Increase in receivables	(5,078,307)	(6,494,728)
Increase in discounts and loans	(60,086,286)	(193,778,453)
Increase in other financial assets	(8,205,985)	(5,824,299)
(Increase) decrease in other assets	(12,216,237)	3,382,214
Increase in due to the central bank and banks	33,128,145	39,194,175
Decrease in financial liabilities measured at fair value through profit or loss	(12,429,641)	(27,720,252)
(Decrease) increase in financial liabilities for hedging	(33,653)	24,357
Decrease in securities sold under repurchase agreement	(2,403,155)	(15,285,817)
Increase in payable	27,604	7,979,493
Increase in deposits	34,878,922	197,263,646
Increase in provisions for employee benefits	2,227,992	952,231
Increase in other liabilities	3,873,586	625,575
Subtotal of all adjustments	(196,219,800)	(31,801,700)
Cash outflow generated from operations	(179,308,872)	(23,263,748)
Interest received	60,326,528	67,861,583
Dividends received	10,915,655	10,449,320
Interest paid	(19,744,915)	(31,819,305)
Income taxes refund (paid)	542,548	(1,884,843)
Net Cash flows (used in) from operating activities	(127,269,056)	21,343,007

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

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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) investing activities:			
Acquisition of investment properties	$	(740,626)	-
Acquisition of property and equipment		(824,148)	(1,971,581)
Proceeds from disposal of property and equipment		61	1,203
Increase in refundable deposits		(5,950,392)	(6,298,741)
Acquisition of intangible assets		(498,958)	(508,742)
Net cash flows used in investing activities		(8,014,063)	(8,777,861)
Cash flows from (used in) financing activities:			
Increase in loans from central bank and banks		20,320,930	15,849,400
Increase (decrease) in commercial papers payable		265,000	(420,000)
Proceeds from issuing bank financial debentures		1,000,000	-
(Decrease) increase in guarantee deposits received		(3,066,804)	649,363
Payment of lease liabilities		(563,583)	(537,934)
Increase in other financial liabilities		5,290,385	1,550,805
Cash dividends paid		(1,560,049)	(1,424,582)
Net cash flows from financing activities		21,685,879	15,667,052
Effect of exchange rate changes on cash and cash equivalents		(245,222)	(1,540,766)
Net (decrease) increase in cash and cash equivalents		(113,842,462)	26,691,432
Cash and cash equivalents at beginning of period		965,463,827	938,772,395
Cash and cash equivalents at end of period	$	**851,621,365**	**965,463,827**
Composition of cash and cash equivalents:			
Cash and cash equivalents reported in the statement of financial position	$	140,150,912	175,429,257
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
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7		6,293,901	18,937,355
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	$	**851,621,365**	**965,463,827**

See accompanying notes to consolidated financial statements.

(1) Organization and Business Scope

(a) Taiwan Financial Holdings

On January 1, 2008, Taiwan Financial Holding Co., Ltd. (the Company) was incorporated in accordance with the Act of Taiwan Financial Holding Co., Ltd. and has three investee companies: "Bank of Taiwan" (“BOT”), "BankTaiwan Life Insurance Co., Ltd." (“BTLI”) and "BankTaiwan Securities Co., Ltd." (“BTS”). Taiwan Financial Holdings became a public company on November 17, 2009.

The government approved $90 billion as the Company’ s capital while it was established, and $103.125 billion in September 2019. The Company engages mainly in investing and managing investee companies. The investing business complies with the Financial Holding Company Act.

(b) Subsidiaries' activities

Bank of Taiwan (“BOT”) was established on May 20, 1946. BOT became a legal entity in 1985 in accordance with the Banking Act of the Republic of China, and transformed into a corporate entity since July 1, 2003. BOT became a public company on September 16, 2004.

BOT merged with the Central Trust of China effective on July 1, 2007. The Central Trust of China was the dissolved company, and BOT was the surviving company. BOT is primarily involved in:

(i) all commercial banking operations allowed under the Banking Law;

(ii) foreign exchange operations allowed under the Foreign Regulation Act;

(iii) operations of offshore banking unit allowed under the Offshore Banking Act;

(iv) savings and trust operations;

(v) overseas branch operations authorized by the respective foreign governments; and

(vi) other operations authorized by the central competent authority in charge.

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The assets of BOT have continuously increased through revaluations of its legal and special reserve over the period since the Government provided the capital for the establishment of BOT. 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 and $95 billion in October 2014 and $109 billion in September 2019.

BOT 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 subsidiary mainly engages in life insurance and property insurance brokerage.

BankTaiwan Life Insurance Co., Ltd. ("BTLI") was the life insurance department of BOT and was separated from BOT on January 2, 2008, with net assets $5 billion yield by BOT as its owner's equity. BTLI has increased its capital by $2 billion, $4 billion, $6 billion, $5.5 billion, $10 billion and $11 billion on June 30, 2009, June 30, 2010, June 28, 2013, September 30, 2015, June 29, 2018 and March 31, 2021, respectively. BTLI's capital is currently $43.5 billion. BTLI became a public company on November 18, 2013. Its main businesses are life insurance and related businesses.

BankTaiwan Securities, Co., Ltd. ("BTS") was the securities department of BOT and separated from BOT on January 2, 2008, with net assets $3 billion yielded by BOT as its owner's equity.

BTS became a public company on October 21, 2013. BTS's main businesses include the following: 1. Securities trading brokerage. 2. Providing margin purchases and short sales for securities transactions. 3. Securities dealing and underwriting. 4. Operating as futures introducing brokers.

(2) Financial statements authorization date and authorization process:

The consolidated financial statements were approved by the Audit Committee on March 23, 2022 as well as Board of Directors on March 24, 2022 and then published.

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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 Company and subsidiaries’s adoption of the new amendments beginning January 1, 2021 were as follows：

(i) Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform－Phase 2” (the Phase 2 amendments)

The Company and subsidiaries applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Company and subsidiaries have elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Company 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 Company 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 Company 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 Company and subsidiaries 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.

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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 Company and subsidiaries 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 Company and subsidiaries 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 Company and subsidiaries's consolidated financial statements:

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

The Company and subsidiaries have initially adopted the following new amendments, which do not have a significant impact on its 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 Company and subsidiaries 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 its 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"

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 17 "Insurance Contracts"	The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows: ● Recognition: an entity recognizes a group of insurance contracts that it issues from the earliest of : - the beginning of the coverage period of the group of contracts; - the date when the first payment from a policyholder in the group because due; and - for a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group. ● Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk. ● Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.	January 1, 2023

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The Company and subsidiaries are evaluating the impact of their initial adoption of the abovementioned standards or interpretations on their consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Company and subsidiaries complete their evaluation.

The Company and subsidiaries do not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on 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”
- 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) Summary of Significant Accounting Policies:

The adopted significant accounting policies are summarized as follows. Except for those with interpretations, the following policies have been applied consistently to all reporting periods of these consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements are prepared in conformity with relevant government regulatory. The Company and subsidiaries set up their accounting policies and prepare the financial statements according to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, and the International Financial Reporting Standards, International Accounting Standards and, IFRIC Interpretations, and SIC Interpretations endorsed by FSC.

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company and subsidiaries are government-owned enterprises, so its accounting practices mainly follow the Budget Settlement Law and Uniform Regulations on Accounting Systems for Banks Governed by the Ministry of Finance (“MoF”). The annual financial statements are examined by the Ministry of Audit (“MoA”) to ensure that the Company and subsidiaries 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 preparation

(i) Basis of Measurement

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

1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);

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

3) Derivative financial instruments designated as hedges which are measured at fair value;

4) The defined benefit assets which is the net amount of the pension fund less the present value of the defined benefit obligation;

5) Some property, equipment and investments property of which the revaluation value is used are deemed as cost on revaluation date in accordance with the ROC GAAP;

6) Reinsurance assets, insurance liabilities and foreign exchange volatility reserve which are accounted in accordance with the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves.

(ii) Preparing the financial statements in accordance with IFRSs requires not only the use of some critical accounting estimates in the application of the Company's accounting policies but also the management's judgment on significant assumptions and estimates of the financial statements. Please refer to note 5 for further information.

(iii) The consolidated financial statements are composed of the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow and the related notes.

(iv) Functional currency and presentation currency

The functional currency of each entity of the Company and subsidiaries are based on the primary economic environment in which the entity operates. These consolidated financial statements are presented in New Taiwan dollars, which also the functional currency of the Company and subsidiaries. All financial information represented in New Taiwan dollars has been rounded to the nearest thousand.

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. The financial statements of its subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if the non-controlling interests to have a deficit balance.

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

			Shareholdings	
Name of Investor	**Name of Subsidiary**	**Principal activities**	**December 31, 2021**	**December 31, 2020**
The Company	Bank of Taiwan (“BOT”)	Banking	100 %	100 %
The Company	BankTaiwan Life Insurance (“BTLI”)	Life Insurance	100 %	100 %
The Company	BankTaiwan Securities (“BTS”)	Security	100 %	100 %
Bank of Taiwan	BankTaiwan Insurance Brokers (“BTIB”)	Life and Property insurance broker	100 %	100 %

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company and subsidiaries at the exchange rates of the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies of the reporting date are translated into the functional currency using the exchange rate of that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate of 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 investment 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 hedges is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Company's and subsidiaries' 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 into the Company's and subsidiaries' 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 Company and subsidiaries 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 Company and subsidiaries dispose of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, exchange differences 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 Company and subsidiaries becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

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

The Company and subsidiaries 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 margins or security deposits)

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 financial assets in order 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) Financial assets measured at 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

3) Financial assets measured at 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 receivables (except for those presented as accounts receivables but measured at FVTPL). On initial recognition, the Company and subsidiaries 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 Company and subsidiaries 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 Company' 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 Company's and subsidiaries' continuing recognition of the assets.

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company and subsidiaries 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 Company and subsidiaries 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 Company's and subsidiaries' 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 Company and subsidiaries transfer substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Company and subsidiaries neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

On derecognition of a debt instrument in its entirety, the Company and subsidiaries recognize the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in " other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss.

(Continued)

On derecognition of a debt instrument other than in its entirety, the Company and subsidiaries allocate the previous carrying amount of the financial asset between the part that continues to recognize under continuing involvement, and the part that is derecognized on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized on the basis of the relative fair values of those parts.

7) Overlay approach

The subsidiary, BTLI, has applied IFRS 9 since 2018. To reduce the impact caused by different effective dates of IFRS 9 and the forthcoming IFRS 17, the Company simultaneously adopted overlay approach under IFRS 4 to present profit or loss of designated financial assets.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company and subsidiaries 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 instruments

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

3) Compound financial instruments

Compound financial instruments issued by the Company and subsidiaries 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.

(Continued)

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 Company and subsidiaries derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company and subsidiaries 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 Company and subsidiaries currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

7) Financial guarantee contract

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.

(Continued)

(iii) Derivative financial instruments and hedge accounting

The Company and subsidiaries 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 Company and subsidiaries choose to continue to apply the hedge accounting requirements of IAS 39.

The Company and subsidiaries 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 Company and subsidiaries document the risk management objectives and strategy for undertaking the hedge. The Company and subsidiaries 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.

(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 The Company and subsidiaries 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 The Company and subsidiaries 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 The Company and subsidiaries 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.

The The Company and subsidiaries 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 The Company and subsidiaries 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 The Company and subsidiaries 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 The Company and subsidiaries will amend the formal hedge documentation for changes required by IBOR reform as mentioned above.

(Continued)

b) Non-contractually specified risk component

If the The Company and subsidiaries 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) Pecuniary and securities financing and refinancing

Pecuniary finance represents loans extended to securities investors for the purchase of securities and is accounted as receivables from pecuniary finance. Such loans are secured by the securities purchased by the investors. These securities are not reflected in the financial statements of the subsidiary, BTS. The investors may redeem the collateral securities upon repayment of the loans.

Securities finance represents securities lent to investors and is affected by lending to securities investors securities in custody that are received from pecuniary finance or borrowed from securities finance companies when necessary. Such securities finance is not reflected in the financial statements of the subsidiary, BTS. The investors' deposits for borrowing securities are held by the subsidiary, BTS, as collateral and recorded under securities finance margin deposits received. In addition, investors are required to deposit the proceeds from sales of borrowed securities. Such deposits are accounted for as payables for securities financing.

Pecuniary refinancing represents loans from securities finance companies when the subsidiary, BTS, lacks sufficient funds to perform pecuniary financing. These loans are recorded as refinance borrowings.

Securities refinancing represents securities borrowed from securities finance companies when the subsidiary, BTS, does not have sufficient securities to perform securities financing. For securities refinancing, the subsidiary, BTS, pays margin deposits to securities finance companies. These margin deposits are recorded as refinance margin deposits. The subsidiary, BTS, also provides securities investors' proceeds from selling borrowed securities to securities finance companies as collateral and records them under receivables from securities refinance.

(h) Repo and reverse repo transactions involving bill and bond investment or debt

Repo and reverse repo bond transactions are the sale or purchase of a bond coupled with an agreement to repurchase or resell the same or substantially identical bond at a stated price. Such transactions are treated as collateral for financing transactions and not as the sale or purchase of trading securities. When conducting such transactions, the actual attained amount are recognized as "Bills and Bonds Sold under Repurchase Agreement", and the actual lend amount are recognized as "Bills and Bonds Purchased under Resell Agreement".

The related interest revenue or expenses are calculated by agreed interest rates.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investments in associates

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

The Company and subsidiaries 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 Company and subsidiaries recognize the changes according to the holding shares.

If the Company and subsidiaries 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 carrying amount of the investment at that date is recognized in income statement. The related other comprehensive income is reclassified as profit or loss.

The associate issues additional share capital, but the Company and subsidiaries do not participate in the share issue on a pro-rata basis. It will lead to change in holding, but the Company and subsidiaries still have significant influence. As a result, the Company and subsidiaries 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 Company and subsidiaries and an associate are recognized only to the extent of unrelated the Company and subsidiaries' s interests in the associate.

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

(j) Investment property

Investment property is the 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 including costs and expenses are directly attributed to the acquisition of the investment property on initial recognition and subsequently. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant 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, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Reclassification to investment property

When there is a change in use, the Company and subsidiaries 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 Company and subsidiaries.

(iv) Depreciation

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

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

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

Buildings	8 to 55 years
Machinery and equipment	2 to 20 years
Transportation equipment	2 to 15 years
Miscellaneous equipment	2 to 25 years
Leasehold improvements	5 years

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

(l) Reinsurance assets

To limit the potential damage of the exposure events, the insurance subsidiaries follows Insurance Act to process reinsurance contract. Even the reinsurer not perform obligation, the insurance subsidiaries can not reject to fulfill the contract obligation for the insured.

The insurance subsidiaries have the following rights over reinsurer: ceded unearned premium reserve, ceded claim reserve, claims recoverable from reinsurers, and due from reinsurers and ceding companies, net. The method used for estimating claims recoverable from reinsurers should be the same as the method used for estimating the claim reserve liabilities.

The insurance subsidiaries should not offset reinsurance assets against the related insurance liabilities, or income or expense from reinsurance contracts against the expense or income from the related insurance contracts.

If there is evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the insurance subsidiary may not receive all amounts regulated under the terms of the contract, and that event has a measurable amounts in terms of the influence of the event, the insurance subsidiary shall recognize the difference between the recoverable amount and the carrying amount of the previously stated right as impairment loss.

In addition, in determining the classification of a reinsurance contract, insurance subsidiary considers whether a significant insurance risk should be transferred to the reinsurer. If there is no significant risk that are being transferred, the contract shall be recognized and measured in accordance with deposit accounting and the consideration received or paid for reinsurance contracts shall be treated as a financial liability or a financial asset, rather than as revenue or expense.

If a reinsurance contract on the ceded date or balance sheet date is deemed unqualified ceded reinsurance under the Regulation Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms, the Company utilizes the Provision of Unqualified Reinsurance Reserve to evaluate the effect of unqualified reinsurance in supervision reports, and the results are disclosed in its financial statements. The Company has no unqualified reinsurance so far.

(m) Insurance contracts

The insurance subsidiary classifies a contract as an insurance contract is when the insurance subsidiary accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The insurance risks refer to the risks that policyholder transfer to the contract issuer excluding financial risks. Financial risks refer to the risk resulting from possible changes in specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable in the future. If the previously stated variables are non-financial variables, then the variables do not belong to any specific side of the contract. Insurance contract may possibly transfer part of the financial risks.

The insurance subsidiary identifies the significant insurance risk if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario but excluding the situation of lack of commercial substance. A contract that qualified as an "insurance contract" remains an “insurance contract” until all rights and obligations are extinguished or expired. The insurance contract of which the significant insurance risks are not transferred are classified as insurance contract with financial instrument features. However, if an insurance contract with financial instrument features transfers significant insurance risk to the insurance subsidiary in subsequent periods, it will be reclassified as "insurance contract".

Insurance contracts and insurance contracts with financial instrument features can be further divided into 2 categories, which are insurance with discretionary participation feature or without discretionary participation feature.

A discretionary participation feature is a contractual right to receive both the guaranteed benefits and also the additional benefits:

(i) that are likely to be a significant portion of the total contractual benefits;

(ii) whose amount or timing of distribution of additional benefit is contractually at the discretion of the company; and

(iii) the additional benefit are contractually based on:

1) the performance of a specified pool of the contracts or a specified type contract;

2) the rate of return of a specific asset portfolio, or

3) the profit or loss of the company, fund or other entity that issues the contract.

If the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, it is required to be separated from the host contract and the value embedded derivate shall be measured at fair value through profit or loss, and the change shall be recognized as current gains or losses. If the embedded derivate is itself an insurance contract or the whole contract is measured at fair value through profit or loss and its change of fair value is recognised as current gains or losses, the company does not need to separate the embedded derivate and the insurance contract in terms of recognition.

(n) Lease

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

(i) As a leasee

The Company and subsidiaries 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 Company and subsidiaries's incremental borrowing rate. Generally, the Company and subsidiaries use their incremental borrowing rate as the discount rate.

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

— fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

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

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Company and subsidiaries'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 Company and subsidiaries 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 Company and subsidiaries 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 Company and subsidiaries have elected not to recognize right-of-use assets and lease liabilities for short-term leases. The Company and subsidiaries recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

As a practical expedient, the Company and subsidiaries 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, 2022; 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.

(ii) As a leasor

When the Company and subsidiaries 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 Company and subsidiaries 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 Company and subsidiaries 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 Company and subsidiaries apply IFRS15 to allocate the consideration in the contract.

(o) Intangible assets

(i) Computer Software

The Company and subsidiaries measure the computer software at cost less accumulated amortization and accumulated loss.

(ii) Subsequent Expenditure

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

(iii) Amortization

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

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

Computer software	5 years

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

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

(p) Impairment of assets

(i) Impairment of financial assets

The Company and subsidiaries 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 Company and subsidiaries 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 Company and subsidiaries 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 Company and subsidiaries measure loss allowance for financial assets as 12 month ECL at reporting date. ECLs(or reversal) should be recognized as impairment loss (gain) in profit or loss.

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 Company and subsidiaries 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 Company and subsidiaries in accordance with the contract and the cash flows that the Company and subsidiaries 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 Company and subsidiaries recognize the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company and subsidiaries 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 Company's and subsidiaries' procedures for recovery of amounts due.

The Company and subsidiaries 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 Company and subsidiaries 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. Nonperforming 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 nonperforming 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

For non financial assets except for the deferred tax asset and asset caused by the employee benefit, the Company and subsidiaries shall assess at the end of each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company and subsidiaries shall estimate the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the asset individually, they shall determine the recoverable amount of the cash generating unit to which the asset belongs.

(Continued)

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss which shall be recognized immediately in profit or loss.

The Company and subsidiaries assess at the end of each reporting date whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reverse if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. The carrying amount of the asset shall be increased to its recoverable amount, but the increased carrying amount of an asset or an cash generating unit other than goodwill attributable to a reversal of the impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or the cash generating unit in prior years.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

If the carrying amount of the cash generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

(q) Provision

(i) The Company and subsidiaries 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 Company and subsidiaries shall take into account the risks, uncertainties that surround the underlying events and the time value of the currency.

(iii) The Company and subsidiaries evaluate the provision at every end of the reporting date, and adjust the carrying amount according to the best estimation.

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(r) Other reserves

Provision for civil servants', teachers' and labor's insurance: The bank subsidiary 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 the Guidelines for Management and Employment of Public Servants and Teachers Insurance Reserve.

(s) Separate account – insurance instrument assets

The insurance subsidiary is engaged in selling investment linked products. The payment of premiums (net of administrative expense) is recorded in a separate account which shall only be used in a way agreed by the proposer. The assets of separate accounts are valued at market price on the valuation date, and the insurance subsidiary follows the related rules and financial accounting standards in the IFRS to determine the net asset value.

In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Companies, the assets and liabilities are recorded as "Assets on insurance product, separated account" and "Liabilities on insurance product, separated account", no matter it is caused by a insurance contract or the insurance contract with financial instrument feature. The revenue and expenses in accordance with the definition of IFRS No.4 (including insurance products, separated account with discretionary participating features) are recorded as "Income on insurance product, separated account" and "Disbursements on insurance product, separated account", respectively.

(t) Insurance liabilities

Reserves for insurance contracts are provided in accordance with the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves and are also certified by an appointed actuary approved by FSC. Except the reserves for short-term group insurance, the reserve basis shall be based on the greater amount of actual premium income or the premium income as calculated under the Tai Tsai Pao No. 10704504821 and other reserve basis listed below:

In addition, partial insurance contracts contain a discretionary participation feature as well as a guaranteed element; the insurance subsidiary classifies the whole contract as a liability rather than recording them separately.

(i) Unearned premium reserve

The unearned premium reserve should be provided based on the unexpired risk for the in force policies with an insurance term of less than one year, the accident insurance with an insurance term of more than one year, and the investment linked insurance and universal insurance agreed to collecting fees periodically based on the calculation in accordance with one year term insurance cost method.

(ii) Claims Reserve:

1) Claim reserves for businesses with less than one year insurance term and for accident insurance with more than one year insurance term shall be provided as follows:

   Claim reserves provided for health and life insurance which became effective after January 1, 2010, and accident insurance are set aside using the loss development triangle method based on the previous claim experience. The reserves are respectively provided for "Reported but Not Paid Claims" and "Not Reported and Not Paid". For "Reported but Not Paid Claims", a reserve has been provided on a per policy claim report basis for each type of insurance.

2) Claim reserves provided for "Reported but Not Paid claims" derived from investment-linked insurance, universal insurance, and life insurance, health insurance, and annuity insurance with insurance terms more than one year are determined in accordance with actual information on a per-policy-claim-report basis and are respectively set aside for each type of insurance.

(iii) Policy reserve

The provision for policy reserves is based on mortality tables and prescribed interest rates approved by the FSC and calculated based on the modified reserve method in accordance with the Article 12 of the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves and other regulations and approved calculation instructions filed with the FSC.

Since 2003, if the dividends of in-force policies are calculated in accordance with Tai Tsai Pao No. 800484251, then the reduction in dividends resulting from the offsetting of mortality margin and interest loss should be provided as long-term policy reserve.

Starting from 2012, the insurance subsidiary should provide the provision of policy reserve for in-force policies to comply with Jin Guan Pao Tsai No. 10102500530 on January 19, 2012. Calculated based on the terms of the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves, the recovery of the special catastrophe reserve should be provided as policy reserve of life insurance-reversed catastrophe reserve. However, to comply with Jin Guan Pao Tsai No. 10202124790 on November 21, 2013, the insurance subsidiary no longer has to provide the new reserve since 2013.

In accordance with the Jin Guan Pao Tsai No. 10102500530 on January 19, 2012 and Article 11 of Value-added and Non-value-added Business Tax Act, a liability reserve based on 3% of sales is provided for purposes of writing off overdue loans or providing allowance for bad debts when the percentage of overdue loans is lower than 1%.

(iv) Special reserve

1) For retained business with an insurance period of one year or less, the insurance subsidiary shall set aside the following catastrophe reserve and special risk volatility reserve in accordance with the following provisions:

a) Special catastrophe reserve:

i) a special catastrophe reserve shall be set aside at the reserve ratio prescribed by the competent authority.

ii) upon the occurrence of a catastrophic event, actual retained losses in excess of NT$30 million may be withdrawn from special catastrophe reserve and shall be reported to the competent authority for recordation.

iii) a special catastrophe reserve that has been set aside for more than 15 years can be released based on the evaluation by actuary and calculation methodology approved by the competent authority.

b) Special risk-volatility reserve:

i) For each type of insurance, when the balance of actual losses minus the amount reversed from a special catastrophe reserve is lower than expected losses, a special risk-volatility reserve shall be provided at 15 percent of the difference.

ii) When the balance of actual losses minus the amount reversed from a special catastrophe reserve is greater than expected losses, the amount in excess of expected losses may be reversed from the special risk-volatility reserve previously provided. If the reserve for special risk-volatility reserve for a particular type of insurance is insufficient to cover losses, the losses may be reversed from the special risk-volatility reserve previously provided for another type of insurance and shall be reported to the competent authority.

iii) When cumulative provisions for the special risk-volatility reserve exceed 30 percent of the amount of retained earned premiums for the current year, that portion in excess shall be released and treated as income.

Special reserves shall be set aside every year while the newly provided special reserves (net of taxes determined in accordance with IAS 12 – "Income Taxes") shall be recognized as special reserve under shareholders' equity each year. Also, the withdrawal or the released amount of special reserve (net of taxes determined in accordance with IAS 12 – "Income Taxes") based on the above-mentioned regulations shall offset with special reserves of Special surplus recorded under shareholders' equity.

In addition, according to the Tai Tsai Pao No.0910074195, the insurance subsidiary should provide the special reserve for the withdrawal amount of special risk-volatility reserve (net of taxes), and should be authorized by the competent authority before distributing or using those reserve for other purpose.

(Continued)

2) According to the regulations, BTLI should recognize the special reserves for the participating insurance policy and write off the reserves when the bonuses are declared.

3) According to the Jin Guan Pao Shou No.10302125060, if the result of the insurance profit testing is negative, BTLI should recognize the special reserves according to the related operating principles.

(v) Premium deficiency reserve

For life insurance, health insurance, or annuities with an insurance term over one year, and polices issued after January 1, 2001, a deficiency reserve is provided when the actual premium written is less than the premium on the policy reserve prescribed by the competent authority.

In addition, the Company shall evaluate expected future claims and expenses for in-force contracts with contract term less than one year and for accident insurance contracts with terms over one year, and if the amount exceeds unearned premium reserve and expected future premium income, a premium deficiency reserve should be provided for the difference.

(vi) Liability adequacy reserve

The amount of liability adequacy reserve that should be provided is determined by the result of the liability adequacy test performed under IFRS 4.

BTLI shall assess at the end of each reporting period whether the insurance liabilities recognized by BTLI are adequate, using current estimates of future cash flows under its insurance contracts. BTLI's liability adequacy test is based on all insurance contracts that the BTLI issues and adheres to Actuarial Practice Guidance of IFRS 4 "Contracts Classification and Liability Adequacy Test" and its related regulations issued by The Actuarial Institute of the Republic of China. The test is conducted on each balance sheet date by comparing the net carrying amount of its insurance liabilities less related acquisition costs and intangible assets and current estimates of future cash flows under its insurance contracts. If the assessment shows that the net carrying amount is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognized in loss as liability adequacy reserve.

Policy reserve and premium deficiency reserve are discounted using the pre-decided rate, liability adequacy reserve are discounted using the best-estimate for the return on investment, based on current information. However, unearned premium reserve, claim reserve and special reserve are not discounted.

(u) Reserve for foreign exchange valuation

In accordance with the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", starting on March 1, 2012, BTLI should set up a reserve for foreign exchange valuation under liabilities for their foreign investments. In addition, BTLI transfers some of the special reserve to the reserve for foreign exchange valuation as the opening balance. The maximum amount may not exceed half of the special reserve for significant incidents and the special reserve for risk volatility of various insurance types recorded under the liabilities as of December 31, 2011.

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The accumulated limit, provision, and offsetting of the reserve are as follows:

(i) Limit of provision: the total amount of its foreign investments at the end of current month times the exposure ratio and fixed provision ratio to calculate the provision. In addition, the foreign exchange gain from non-hedged foreign currency assets, if any, should time additional provision ratio to calculate additional provision.

(ii) Limit of offsetting: The foreign exchange loss from non-hedged foreign currency assets, if any, times additional offsetting ratio to calculate the offsetting amount for the current month. The balance of this reserve at the end of each month shall not be lower than 20% of the higher of the accumulated balabce of the reserve last year and the average amount of the accumulated balances from 2012 through last year.

(iii) Life insurance businesses are allowed to increase their provision for reserve after obtaining approval from the authority, if necessary.

(iv) If the accumulated balance of the reserve decreases to 20% of its accumulated balance at the end of the previous year and lasts for 3 months, the rate of the provision for foreign exchange gain from the non-hedged foreign currency assets shall be raised to 75%, and the accumulated balance shall be restored at least up to 3 times of the lower limit of offsetting.

The exposure ratio mentioned in (i) referes to the ratio of the total amount of foreign investments minus traditional hedge premium and then divided by total amount of foreign investments. Traditional hedging includes forward exchange agreement, FX swap, cross currency swap and non-deliverable forward etc.

Exchange gains and losses of non-hedged foreign assets in (i) and (ii) refer to the gains and losses generated from the volatility of exchange rates, excluding the portion of hedged foreign investments.

The requirements for monthly fixed provision ratio, additional provision ratio and additional offsetting ratio mentioned in (i) and (ii) are as follows:

(i) Fixed provision ratio is 0.05%. When it meets the condition, however, the ratio becomes 0.06%.

(ii) Additional provision ratio and additional offsetting ratio are both 50%. When they meet the condition, however, the ratio becomes 60%.

The condition mentioned above is the average hedge cost, which is greater than or equals to 2%, based on the transaction date of 12 months, with a total period of one year currency swaps with NTD against USD from December of last year to November of the current year.

(v) Future trader's equity

The future trader's equity is the future's margin and premium from future traders, plus, the daily market value of the future. It is allowed to offset accounts, if, and only if, they belong to the same client and same type . If the margin account is a debit balance, then a margin call is made and the account owner must replenish the margin account.

(Continued)

(w) Revenue and operating expense recognition

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

(i) Subsidiary, BOT:

1) 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.

2) 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:

a) the seller has transferred to the buyer the significant risks and rewards of ownership.

b) it is probable that the economic benefits associated with the transaction will flow to the seller

c) the costs incurred or to be incurred in respect of the transaction can be measured reliably,

d) the seller retains neither continuing managerial involvement to degree usually associated with ownership nor effective control over the goods sold, and

e) the amount of revenue can be measured reliably.

3) 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 Company and subsidiaries shall consider the materiality principle to decide to measure the interest by agreed interest rate or effective interest rate.

4) Service fee income

i) 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.

ii) 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.

(Continued)

5) Dividend revenue: it shall be recognized if and only if the Company and subsidiaries have right to receive the dividend revenue.

6) 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.

7) 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.

(ii) Subsidiary, BTLI:

1) Premium revenue recognition and policy acquisition costs

First-year and renewal premiums of insurance contract and financial instruments with discretionary participation features are respectively recognized as income when premiums are received and the policies are approved or due. Acquisition costs, including commissions and other costs related to acquiring new business, are recognized as expenses as incurred.

Premiums collected from the financial instruments without discretionary participation features under insurance product, separated account shall be recognized as premium income to the extent of insurance component. The remaining, after being subtracted by other revenues, including upfront fee or investment management service fee income, shall be fully recognized as "Liabilities on insurance product, separated account" on the balance sheet.

Investment management service fee income is recognized as revenue when received. However, under the circumstance that the Company is obligated to provide future services for the service fee received (such as up-front fee) the revenue recognition shall be deferred as "unearned revenue liability" until the services are provided and amortized using the straight-line method over the passage of service period as "fee income". Furthermore, the incremental transaction cost paid due to investment management services provided for these insurance contracts (including commission fee and overriding) shall be deferred to match its corresponding unearned revenue liability as "deferred acquisition cost" and amortized using the straight-line method over the passage of service period as other operating costs.

In accordance with the recognition and calculation principles provided in the "Life Insurance Industry Accounting System Guidance", the Company determines whether to recognize the unearned revenue liability and the deferred acquisition cost based on the design of the insurance products and the comparison of service revenue received and service cost incurred.

2) Interest revenue

The interest revenue derived from bank deposit, loans, and bonds investments are accounted on an accrual basis. For the over-due receivables, the interest will not be recognized as revenue until they are received.

3) Lease income

Lease income from investment property is recognized in profit or loss on a straight basis over lease term. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(iii) The Subsidiary, BTS

1) Brokerage commissions, profit or loss from the sale of securities, and the relevant charges are recognized on the trade date.

2) Interest income or expenses of margin loans, securities financing and refinancing and bonds purchased under agreement to resell and sold under agreement to repurchase are recognized during the transaction periods on an accrual basis.

3) Consulting revenue and underwriting business revenue and expense are recognized according to agreements on an accrual basis.

4) While offering future exchange supporting business, the future commission revenues received from futures commission merchants are recognized during transaction period on accrual basis.

5) The disposal profit and loss of equity investments measured through fair value are recognized on transaction date.

6) Profit or loss of future: The future margin is recognized at cost. Futures are measured through market price method every day. The valuation and disposal profit or loss shall be recognized in the income statement. The related brokerage fees shall be recognized at the trading date.

7) The profit or loss of options: The margin is recorded at cost. Options are evaluated using market price method every month before they are exercised. The valuation profit or loss and the disposal profit or loss shall be recognized in the income statement.

8) Interest revenue is calculated using the effective interest rate method.

(Continued)

(x) 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) Pension

1) Employee pension:

The grant of employees' pension compromise: a) the contributions made by the Bank at the rate from 4% to 8.5% of the employee's monthly wage (depending on the employee's 'salary point' and service period before the Labor Standards Act was applied) and the contributions made by the employee at the rate of 3% of his or her monthly wage under Article 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 41 and the related regulations set forth in the Labor Standards Act. All the contributions are made to the fund managed by the Pension Supervision Committee for future payments.

2) Labor pension:

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

3) For defined contribution plan, the employer has no further legal or constructive obligation to pay further contributions in accordance with the Labor Pension Act.

4) For the definite benefit plan, the independent actuary of the Company and subsidiaries 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 the amounts included in the net interest on the net defined benefit liability (asset), and (c) any change in the effect of the asset ceiling, excluding the amounts included in the 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 Company and subsidiaries could transfer the amounts recognized in other comprehensive income to equity. The Company and subsidiaries decided to recognize the remeasurements of the defined benefit plan to retained earnings; actuarial gains or losses for practical experience or actuarial assumptions changes are recognized to other comprehensive income immediately. Prior period servicing costs should be recognized in profit or loss immediately. The defined benefit plan pension for the period adopts the pension cost rate determined by using the actuarial assumptions prior to the reporting date and is calculated based on the fiscal year. The pension also makes the adjustments to reflect significant market volatility, significant curtailment and settlement, or other significant non-recurring matter after the reporting date.

5) The oversea branches of the bank subsidiary follow the foreign government's regulations.

(iii) Preferential interest deposits

1) The Company and subsidiaries 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 Regulations Governing the Preparation of Financial Reports by the Financial Holding Companies, if the preferential interest rate for retired employees exceeds the market rate, the Company and subsidiaries 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 Company and subsidiaries 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 Company and subsidiaries terminate the preferential interest deposits for retired employees, in accordance with the rule Tai Tsai Ku No.10700624450 issued by the Ministry of Finance.

(iv) Civil servant and teacher insurance excess annuity benefit plans

According to the Civil Servant and Teacher Insurance Act (the CSTI Act) that took effect on May 29, 2015 and Tui Yi Zi No. 10440257582 issued by the Ministry of Finance, the Company's employees who are not qualified for preferential interest deposits are entitled to receive annuity when retiring or getting laid off if they meet the requirements prescribed in Article 16 and 18 of the CSTI Act. The sum of the monthly payments from this annuity and the total amount of the defined benefit plan shall not exceed 80% of twice the amount of the employee's salary at the time of retirement. Moreover, if the payment rate of the annuity is lower than the basic rate of annuity (0.75%), the annuity will be calculated using the latter rate. However, if the payment rate is higher than the upper limit (1.3%), the annuity is calculated based on 1.3%.

The Company is responsible for the portion of the annuity payments that exceeds 0.75% and the calculation is reviewed by the insurance carrier (Department of Government Employees' Insurance, Bank of Taiwan) on a monthly basis in accordance with the CSTI Act.

(v) 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.

(y) Income tax

Income taxes comprise 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 are 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.

(Continued)

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

(i) the Company and subsidiaries has a legally enforceable right to set off currenttax 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.

In accordance with the Article 49 of the Financial Holding Company Act, the Company and domestic subsidiaries, in which over 90% of issued shares was held for 12 months within the same taxation year, may adopt the linked-tax system for income tax filing. Other tax matters should be conducted separately.

The measurement of income tax is treated in accordance with IAS 12 “Income Taxes” when adopting the linked-tax system for income tax filing. However, the excess or deficit payment of income tax due to a combined corporate income tax filing is charged to current tax assets (liabilities) in reasonable and consistent way.

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

(z) 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.

(aa) Operating segments

An operating segment is a component of the Company and subsidiaries that engage 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 Company's and subsidiaries' chief operating officer in order to decide the resource allocation and assess the segments’ performance. Each segment has separate financial information.

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

In preparing these consolidated financial statements, management has made 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.

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

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

(a) Judgment of whether the Group has substantive control over its investees

The Company and subsidiaries hold 21.37% of the outstanding voting shares of Tang Eng Iron Works Co., Ltd., 25.07% of the outstanding voting shares of Hua Nan Financial Holdings Co., Ltd., 17.84% of the outstanding voting shares of Taiwan Fire & Marine Insurance Company, Ltd., 16.21% of the outstanding voting shares of Taiwan Business Bank and 10.01% of the outstanding voting shares of Taiwan Stock Exchange Corporation. The Company and subsidiaries are the single largest shareholder of the investees. Although the remaining shares of these companies are not concentrated within specific shareholders, the Company and subsidiaries still cannot obtain more than half of the total number of these companies' directors, and they also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, the Company and subsidiaries do not have significant influence on these companies.

(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 evaluation of financial asset impairments

The financial asset impairments of the Company and subsidiaries (including guarantees and loan commitiments 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 Company and subsidiaries 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 Company and subsidiaries to determine the adopted assumptions and parameters when calculating impairment.

(d) Insurance liabilities and reserves of insurance policy with financial instrument nature

BTLI measures insurance liabilities based on the "Regulations Governing Insurance Enterprises for Setting Aside Various Reserves".

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Reserves for life insurance are accrued using the lock-in interest rate assumptions at issue for reserves provision instead of the current market rate.

Unearned premium reserves are calculated by each insurance unexpired risk. The methods of reserve provision are determined by actuaries about each insurance characteristic.

Claims reserve is estimated based on the loss of accrued triangle method. The major assumptions are loss development factors and expected claims rate; hence, it results in ultimate claims costs. The loss development factors and expected loss rates are based on BTLI's historical claims experiences, and it also considers expense rates, claims management and other corporation’s policy adjustments.

Liability Adequacy Test is estimated based on the "Code of Conduct of Actuarial Practice Under the Statements of Financial Accounting Standards No 4 — Contracts Classification and Liability Adequacy Test" announced by the Actuarial Institute of the Republic of China. BTLI evaluates liability adequacy test using future insurance benefits, premiums, related fees and other reasonable estimates for the current estimates of future cash flows under its insurance contracts.

During the assessment process of liabilities, the use of professional judgment will affect the financial statements regarding the net change in claim liability, insurance contract reserves net change with the nature of financial, and the recognized amounts of the aforementioned.

(e) Income taxes

The Company and subsidiaries need to pay income tax for various countries. When estimating the globe income tax, the Company and subsidiaries rely on significant accounting estimations. Determine the final tax 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.

(f) 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 Company and subsidiaries determined the appropriate discount rate at the end of each year, and used the rate to calculate the present value of future cash flows on estimated payment of retirement benefit obligation. To determine the appropriate discount rate, the Company and subsidiaries 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.

(g) Classification of insurance policy and significant risk transfer test

BTLI is required to recognize insurance risks, other risks and other elements of the issued insurance policies, and determine whether the elements of these contracts can be split and separately calculated and whether the results will affect the classification of insurance contracts. In addition, BTLI shall determine whether the insurance transfer insurance risk exists and contains a nature of business, as well as whether the transfer of insurance risk is materially significant. BTLI also makes a significant insurance risk transfer test and the judgments of the test results will affect the classification of insurance contracts.

Identification and separation of the insurance contracts elements and the classification of the insurance contracts will affect BTLI's revenue recognition, liabilities measurements and presentation of the financial statements.

(h) Reinsurance reserves

Reinsurance reserve assets include ceded unearned premium reserve, ceded Claims reserve, ceded Premium deficiency reserve and ceded Liability adequacy reserve. They shall be estimated according to the "Regulations Governing Insurance Enterprises for Setting Aside Various Reserves" and the "Directions Concerning Compliance with Application of Reinsurance Business" with Over One Year by Life Insurance Enterprises which Recognize Receded Liability Reserves at the Balance Sheet.

The actuary uses the actuarial principles and related assumptions to estimate the reinsurance reserves. The actuarial assumptions include the characteristics of insurances, the historical claims, the loss development factors, the expected claim rate and the estimated future cash flow. The actuary’s professional judgments will affect the recognized amount of the net change of insurance liabilities and reinsurance reserves.

(6) Explanation of Significant Accounts:

(a) Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 13,199,409	13,254,327
Foreign currency on hand	11,338,675	14,339,317
Bank deposits	10,075,683	21,308,693
Notes and checks for clearing	9,085,856	4,641,210
Placement with banks	96,441,113	121,875,661
Cash equivalents	28,330	29,329
Less: Allowance for bad debts－placement with banks	18,154	19,280
Total	**$ 140,150,912**	**175,429,257**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The balance 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	$ 140,150,912	175,429,257
Placement with Central Bank of R.O.C. and other banks that meet the definition of cash and cash equivalents under the definition of IAS 7	260,912,556	217,017,313
Bills & Bonds Purchased under Resell Agreements qualifying cash and cash equivalents under the definition of IAS 7	6,293,901	18,937,355
Investments qualifying cash and cash equivalents under the definition of IAS 7	444,263,996	554,079,902
Total	**$ 851,621,365**	**965,463,827**

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

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

	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－oversea branches	1,834,046	1,892,003
Deposits in Central Bank	294,295,391	294,312,387
Total	**$ 642,176,715**	**593,466,945**

(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 by the subsidiary, BOT, 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 Central Bank to provide relives to the businesses affected by Covid-19 and alleviating the economic impact, the subsidiary, BOT, applied to the Central Bank for a project loan guaranteed by deposit reserve account B. Please refer to note 6(s) for the amounts that have been drawn down as of December 31, 2021 and December 31, 2020. As for the amount that becomes part of the collateral in deposit reserve account B, please refer to note 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		12,773,485	19,029,575
Financial assets mandatorily measured at fair value through profit or loss		255,753,760	240,629,625
Add: Valuation adjustment		135,681,204	104,728,913
Subtotal		391,434,964	345,358,538
Total	**$**	**404,208,449**	**364,388,113**

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

		December 31, 2021	**December 31, 2020**
Government bonds, corporate bonds, financial bonds and others	$	12,304,845	18,125,821
Add: Valuation adjustment		468,640	903,754
Total	**$**	**12,773,485**	**19,029,575**

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(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
Stocks and beneficiary certificates	213,035,154	194,319,678
Treasury bills	1,998,214	-
Corporate bonds	1,400,456	736,878
Convertible bonds	6,626,373	2,264,583
Financial bonds	12,171,500	9,671,500
Foreign exchange call options	5,429	1,950
Bond futures margin	3,519	29,662
Currency futures	5,217	5,195
Commodity futures	50,254	50,498
Add: Valuation adjustment－Non derivative financial instruments	131,040,107	91,069,251
Valuation adjustment－Cross currency swaps	573,003	313,673
Valuation adjustment－Swaps	3,300,445	11,922,947
Valuation adjustment－Interest rate swaps	12,100	496
Valuation adjustment－Forward foreign exchange	158,562	185,434
Valuation adjustment－Asset swaps	600,632	1,244,816
Valuation adjustment－Foreign exchange call options	(1,586)	(248)
Valuation adjustment－Bond futures margin	524	-
Valuation adjustment－Fixed rate commercial paper	(2,583)	(7,456)
Total	**$ 391,434,964**	**345,358,538**

(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	559,093,929	540,928,666
Interest rate swaps	553,116	281,000
Forward foreign exchange	48,832,265	49,109,008
Fixed rate commercial paper	800,000	800,000
Asset swaps	14,650,356	14,303,927
Cross currency swaps	32,525,000	10,615,900
Bond futures	345,688	-
Total	**$ 658,206,324**	**616,536,664**

(Continued)

(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(al).

(vii) As of December 31, 2021, the Company's and subsidiaries' financial assets at fair value through profit or loss neither served as a guarantee or collateral, nor were they pledged.

(viii) The subsidiary, BTLI, applied the overlay approach in accordance with IFRS 4 to disclose profit and loss from designated financial assets since adoption of IFRS 9 in Taiwan on January 1, 2018. The financial assets related to the investing activities of the issued insurance contracts to which BTLI designates to apply the overlay approach are listed as follows:

	December 31, 2021	**December 31, 2020**
Financial assets at fair value through profit or loss:		
TSEC and TPEX stocks	$ 19,995,194	11,772,594
Exchange Traded Funds	2,596,170	3,285,086
Beneficiary certificates	-	222,015
Real estate securitization	2,547,789	2,294,699
Foreign stocks	1,309,844	515,952
Foreign exchange traded funds	3,197,011	2,953,105
Foreign mutual funds	224,053	565,199
Financial bonds	11,685,576	10,116,071
Total	**$ 41,555,637**	**31,724,721**

The amount reclassified between profit or loss and other comprehensive income of these designated financial assets applying the overlay approach is as follows:

	2021	**2020**
Profits (losses) reported in profit or loss for applying IFRS 9	$ 2,650,879	3,678,642
Less: profits (losses) reported in profit or loss if applied IAS 39	2,990,808	3,201,825
Profits (losses) on reclassification under the overlay approach	**$ (339,929)**	**476,817**

Due to the overlay approach adjustments, profits (losses) on financial assets and liabilities at fair value through profit or loss adjust from $53,518,518 thousand and $65,751,691 thousand to $53,858,447 thousand and $65,274,874 thousand in 2021 and 2020, respectively.

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(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 (NCDs)	$ 607,570,000	666,115,000
Government bonds	89,175,358	49,830,499
Financial bonds	21,694,497	22,775,874
Corporate bonds	81,120,283	72,022,673
Foreign government bonds, corporate bonds, financial bonds, and NCDs	89,198,826	87,617,925
Add: Valuation adjustment	(2,453,672)	2,673,204
Subtotal	886,305,292	901,035,175
Equity instruments measured at fair value through other comprehensive income:		
TSEC and TPEX stocks	52,547,798	45,951,152
Add: Valuation adjustment	66,027,476	52,248,110
Subtotal	118,575,274	98,199,262
Total	**$ 1,004,880,566**	**999,234,437**

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

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

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

The Company and subsidiaries 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 Company and subsidiaries intend to hold for long term for strategic purposes.

1) As of December 31, 2021 and 2020, the dividends of $3,521,332 thousand and $3,322,689 thousand, related to equity investments at fair value through other comprehensive income held on December 31, 2021 and 2020 separately were recognized. In addition, the dividends of $453,796 thousand and $134,411 thousand, related to the investments derecognized was recognized in 2021 and 2020.

2) As of December 31, 2021 and 2020, the Company and subsidiaries 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 $5,393,159 thousand and $4,204,565 thousand ,and the Company and subsidiaries realized a loss of $163,729 thousand and $367,204 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 note 6(am).

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

(e) Hedging Derivative Financial Instruments

The content of hedging liability is 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 Company and subsidiaries use 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 hedged.

	Hedging Investments Fair Value			
Hedged Item	Designated Hedging Instruments		December 31, 2021	December 31, 2020
USD financial bonds	interest rate swap	$	(14,614)	(49,771)
USD corporate debts	〃		(1,627)	(123)

The net gains (losses) of above hedging instruments in 2021 and 2020 are $34,644 thousand and $(23,952) thousand, respectively. The net gains (losses) of hedged items embedded in hedging instrument in 2021 and 2020 are $(34,644) thousand and $23,952 thousand, respectively.

(f) Bills and Bonds Purchased / Sold under Resell (Repurchase) Agreements

The details of bonds and bills purchased / sold under resell (repurchase) agreements were as follows:

		December 31, 2021	December 31, 2020
Bills and bonds purchased under resell agreements:			
Negotiable certificates of deposit	$	2,150,377	2,210,212
Commercial paper		4,143,524	16,727,143
Government bonds		472,139	582,594
Corporate bonds		300,000	301,033
Total	$	7,066,040	19,820,982

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	December 31, 2021	December 31, 2020
Bills and bonds sold under repurchase agreements:		
Commercial papers	$ 29,979	29,984
Government bonds	2,626,519	5,034,485
Corporate bonds	2,350,097	2,201,380
Financial bonds	1,802,300	1,936,198
Convertible Corporate bonds	-	10,003
Total	$ 6,808,895	9,212,050

(g) Receivables, net

	December 31, 2021	December 31, 2020
Accounts receivable	$ 985,343	997,473
Long-term receivables－payment on behalf of the government	15,345,197	15,592,889
Accrued incomes	931,377	1,150,015
Interests receivable	11,909,474	13,533,552
Premiums receivable	110,079	110,495
Other tax refund receivable	10	510
Reinsurance current receivable	-	1,039
Notes receivable and acceptance notes receivable	2,979,400	2,293,985
Accounts receivable factoring without recourse	11,939,078	9,753,258
Margin loans receivable	4,221,972	3,187,032
Accounts receivable for settlement	5,837,373	6,073,764
Dividends receivable	28,075	6,449
Others－settlement prices	612,407	595,236
Others－replenishment of national treasury	7,878,413	8,034,163
Others－undelivered spot exchange	2,452	-
Other－ATM temporary receipts, payments and interbank difference	2,474,485	2,076,853
Others－FX Swaps	29,824	68,342
Others－pending settlement on foreign exchange	2,105,010	2,035,870
Others	443,592	493,665
Others－Investment	629,136	3,787,951
Others－exchange the Quintuple stimulus vouchers	4,421,456	-
Subtotal	72,884,153	69,792,541
Less: allowance for doubtful accounts	206,446	144,971
Total	$ 72,677,707	69,647,570

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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 in 2021 and 2020, respectively, due to executing the government premium savings policy.

As of the year ended December 31, 2021 and 2020, the subsidiary, BOT, had paid the following premium savings interest expenses on behalf 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	$ 43,304,291	50,852,473

(h) Loans and Discounts, net

	December 31, 2021	December 31, 2020
Discounts and export / import bills negotiations	$ 3,561,180	2,460,383
Short-term loans and overdrafts	637,714,108	687,796,509
Short-term secured loans and secured overdrafts	62,272,048	72,468,855
Life insurance loans	5,797,557	5,864,206
Accounts receivable financing	177,213	113,974
Accounts receivable secured financing	2,055	3,397
Medium-term loans	593,460,052	566,539,567
Medium-term secured loans	314,457,967	311,118,364
Long-term loans	181,983,534	161,650,203
Long-term secured loans	1,156,159,310	1,087,055,452
Non-performing loans	2,532,425	3,195,394
Subtotal	2,958,117,449	2,898,266,304
Less: allowance for doubtful accounts	44,780,508	44,712,999
Add: (Discount) premium adjustment	-	(4,291)
Total	$ 2,913,336,941	2,853,549,014

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

	2021	2020
Allowance for doubtful accounts	$ (329,815)	(237,303)
Provisions for guarantee liabilities	108,788	(77,477)
Provisions for loan commitment liabilities	10,410	2,574
Provisions for other liabilities	(37,094)	4,520
Total	$ (247,711)	(307,686)

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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 estimation of non-accrued interests were $186,203 thousand and $195,791 thousand, respectively.

For the date as above, the subsidiary, BOT, 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	90,165,300	104,418,725
Foreign government bonds, corporate bonds, financial bonds, and NCDs	287,248,943	250,102,368
Financial bonds	24,375,237	24,341,679
Corporate bonds	57,499,269	51,517,544
Foreign financial asset beneficiary securities	1,254,651	-
	490,493,768	454,944,536
Less: Accumulated impairment	147,034	141,015
	$ 490,346,734	**454,803,521**

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

(i) During 2021 and 2020, the Company and subsidiaries sold bonds which were not frequently sold or whose amounts were not significant, no matter individual or aggregate, and the gain or loss arising from the disposal of bonds equaled to $1,590,364 thousand and $2,366,851 thousand.

(ii) As of December 31, 2021, the Company's and subsidiaries' financial assets measured at amortized cost were used as collateral, please refer to note 11.

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(j) Investments under Equity Method, net

	December 31, 2021		December 31, 2020	
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Hua Nan Financial Holdings Co., Ltd.	25.07	$ 50,316,673	25.07	47,483,122
Tang Eng Iron Works Co., Ltd.	21.37	1,246,610	21.37	901,078
Tai Yi Real Estate Management Co., Ltd.	30.00	24,305	30.00	22,203
Total		$ 51,587,588		48,406,403

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

	2021	2020
Hua Nan Financial Holdings Co., Ltd.	$ (626,030)	(283,119)
Tang Eng Iron Works Co., Ltd.	6,551	16,015
Total	$ (619,479)	(267,104)

(ii) The Company and subsidiaries 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.	$ 4,313,726	2,169,658
Tang Eng Iron Works Co., Ltd.	338,982	(142,254)
Tai Yi Real Estate Management Co., Ltd.	6,032	4,368
Total	$ 4,658,740	2,031,772

(iii) Individually significant associate(s)

The Company and subsidiaries acquisited associates by using equity method for accounted, other information was as follows:

Aassociates Company	The relations between the Combined company	Business place/ registration country	The proportion of ownership interest and voting rights	
			December 31, 2021	December 31, 2020
Hua Nan Financial Holdings Co., Ltd.	Followed the FHC to investment, such as banking, finance bills industry	Taiwan	25.07 %	25.07 %

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The Company and subsidiaries have major affiliates of the listed or OTC companies, its fair value is as follows:

	December 31, 2021	December 31, 2020
Hua Nan Financial Holdings Co., Ltd.	$ 70,135,557	58,823,196

1) Summarized of Financial Information

Hua Nan Financial Holding Co., Ltd.

	December 31, 2021	December 31, 2020
Total Assets	$ 3,460,953,918	3,101,082,238
Total Liabilities	(3,260,247,111)	(2,911,678,073)
Net Assets	**$ 200,706,807**	**189,404,165**
The Company holding shares	**$ 50,316,673**	**47,483,122**

	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**
The Company holding shares		
Investment income	$ 4,313,726	2,169,658
Other comprehensive income	(626,030)	(283,119)

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, repaying loans or advances.

3) The summarized financial information of Hua Nan Financial Holding Co., Ltd. has been adjusted to align the accounting results with those of the Bank accounted for using the equity method.

4) Hua Nan Financial Holdings Co., Ltd.'s financial statements is audited by other auditors. The related investment gains is $4,313,726 thousand and $2,169,658 thousand in 2021 and 2020, respectively.

(iv) All other non-individually-significant associates

1) Summarized of Financial Information- The Company and subsidiaries holding shares

	December 31, 2021	December 31, 2020
Total investment in book value	**$ 1,270,915**	**923,281**

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	2021	2020
Investment income	$ 345,014	(137,886)
Other comprehensive income	6,551	16,015
Total comprehensive income	**$ 351,565**	**(121,871)**

2) Some invested company were accounted for using the equity method and have not audited by auditors. The related investment loss is $6,032 thousand and $4,368 thousand in 2021 and 2020, respectively.

(v) Collateral

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

(k) Other Financial Assets, net

	December 31, 2021	December 31, 2020
Short-term advances	$ 29,795,026	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
Separate account insurance product assets	8,810,282	3,018,443
Time deposits over three months	19,924,750	9,910,500
Call loans to security subsidiary	110,620	-
Less: allowance for doubtful accounts－Call loans to security subsidiary	4	-
Others	16,884	19,129
Less: cumulative impairment－others	8	10
Total	**$ 58,645,296**	**50,439,313**

Concerning for the payment of excess interest for the government, booked under “ short term payment” for December 31, 2021 and 2020, please refer to note 6(g) for further information.

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(l) Investment Property

(i) The movements of investment property were as follows:

	Land and improvements	Buildings	Total
Cost or deemed cost:			
Balance at January 1, 2021	$ 20,972,626	3,240,948	24,213,574
Additions	595,412	145,214	740,626
Balance at December 31, 2021	**$ 21,568,038**	**3,386,162**	**24,954,200**
Balance at December 31, 2020 (Same as beginning balance)	**$ 20,972,626**	**3,240,948**	**24,213,574**
Depreciation:			
Balance at January 1, 2021	$ -	635,811	635,811
Depreciation	-	78,825	78,825
Balance at December 31, 2021	**$ -**	**714,636**	**714,636**
Balance at January 1, 2020	$ -	558,342	558,342
Depreciation	-	77,469	77,469
Balance at December 31, 2020	**$ -**	**635,811**	**635,811**
Carrying amounts:			
December 31, 2021	**$ 21,568,038**	**2,671,526**	**24,239,564**
January 1, 2020	**$ 20,972,626**	**2,682,606**	**23,655,232**
December 31, 2020	**$ 20,972,626**	**2,605,137**	**23,577,763**

(ii) The fair values of the investment properties of the Company and subsidiaries were as follows:

	December 31, 2021	December 31, 2020
Fair value of investment properties	**$ 27,222,059**	**25,049,888**

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.

1) The Bank of Taiwan

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 was subsequently measured at cost, and the fair value was tested according to real estate impairment testing working guidelines on each financial reporting date. After evaluating, BOT did not recognized impairment loss in December 31, 2021 and 2020.

2) The Bank Taiwan life insurance

The fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The range of yields applied to the net annual rentals to determine fair value of property for which current prices in an active market are unavailable was as follows:

	December 31, 2021	December 31, 2020
Capitalization of earning percentage	1.97%~3.60%	2.05%~3.45%

(iii) Details of operating lease of the Company and subsidiaries were as follows:

Location	2021	2020
Rental revenue	$ 295,584	249,182
Direct operating cost of the investment property for the period (comprise maintenance fee)	(168,695)	(163,102)
Net profit of investment property	**$ 126,889**	**86,080**

(iv) As of December 31, 2021 and 2020, the Company's and subsidiaries' investment property neither served as a guarantee or collateral, nor they were pledged.

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(m) Property and Equipment, net

Changes in the cost, depreciation, and impairment of the properties and equipments of the Company and subsidiaries for the year ended 2021 and 2020 were as follows:

	Land and Land improvements	Buildings	Machinery and equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and prepayment for equipment	Total
Cost:								
Balance at January 1, 2021	$ 129,620,543	16,166,031	6,872,598	1,162,540	996,030	918,983	947,533	156,684,258
Additions	39,537	11,130	324,278	29,874	22,780	1,226	395,323	824,148
Disposals	-	(49,328)	(239,215)	(40,390)	(35,575)	-	-	(364,508)
Reclassification	-	142,092	584,879	4,694	2,092	12,467	(747,938)	(1,714)
Effect of change in exchange rates	-	-	(4,095)	(997)	(1,189)	(5,693)	-	(11,974)
Balance at December 31, 2021	**129,660,080**	**16,269,925**	**7,538,445**	**1,155,721**	**984,138**	**926,983**	**594,918**	**157,130,210**
Balance at January 1, 2020	129,621,868	15,937,489	6,261,586	1,143,386	1,002,105	904,627	405,376	155,276,437
Additions	-	24,161	818,716	112,411	35,145	8,699	972,449	1,971,581
Disposals	(1,325)	(118,235)	(240,209)	(95,406)	(62,794)	(483)	-	(518,452)
Reclassification	-	322,616	39,546	3,939	23,646	12,724	(430,292)	(27,821)
Effect of change in exchange rates	-	-	(7,041)	(1,790)	(2,072)	(6,584)	-	(17,487)
Balance at December 31, 2020	**129,620,543**	**16,166,031**	**6,872,598**	**1,162,540**	**996,030**	**918,983**	**947,533**	**156,684,258**
Accumulated depreciation:								
Balance at January 1, 2021	14,966	7,945,414	4,804,361	799,365	789,218	822,138	-	15,175,462
Depreciation	-	342,769	539,847	53,877	31,791	35,597	-	1,003,881
Disposal	-	(49,276)	(209,526)	(39,034)	(32,251)	-	-	(330,087)
Effect of change in exchange rates	-	-	(2,779)	(819)	(1,044)	(4,239)	-	(8,881)
Balance at December 31, 2021	**14,966**	**8,238,907**	**5,131,903**	**813,389**	**787,714**	**853,496**	**-**	**15,840,375**
Balance at January 1, 2020	14,966	7,730,262	4,592,199	843,278	817,752	788,017	-	14,786,474
Depreciation	-	333,236	433,999	50,904	31,095	39,865	-	889,099
Disposal	-	(118,084)	(217,684)	(93,550)	(58,033)	(483)	-	(487,834)
Effect of change in exchange rates	-	-	(4,194)	(1,226)	(1,596)	(5,261)	-	(12,277)
Balance at December 31, 2020	**14,966**	**7,945,414**	**4,804,320**	**799,406**	**789,218**	**822,138**	**-**	**15,175,462**
Accumulated impairment:								
Balance at January 1, 2021	$ 127,637	-	-	-	-	-	-	127,637
Impairment loss	13,382	-	-	-	-	-	-	13,382
Balance at December 31, 2021	**141,019**	**-**	**-**	**-**	**-**	**-**	**-**	**141,019**
Balance at January 1, 2020	126,084	-	-	-	-	-	-	126,084
Impairment loss	1,553	-	-	-	-	-	-	1,553
Balance at December 31, 2020	**127,637**	**-**	**-**	**-**	**-**	**-**	**-**	**127,637**
Carrying amounts:								
December 31, 2021	**$ 129,504,095**	**8,031,018**	**2,406,542**	**342,332**	**196,424**	**73,487**	**594,918**	**141,148,816**
January 1, 2020	**$ 129,480,818**	**8,207,227**	**1,669,387**	**300,108**	**184,353**	**116,610**	**405,376**	**140,363,879**
December 31, 2020	**$ 129,477,940**	**8,220,617**	**2,068,278**	**363,134**	**206,812**	**96,845**	**947,533**	**141,381,159**

The Company and subsidiaries have conducted a few revaluations of land and buildings for many times over these years, and the latest was in December, 2011. As of December 31, 2021 and 2020, the total revaluation increments for land were both $81,562,920 thousand. The total revaluation increments for Buildings were $143,534 thousand and $142,852 thousand, respectively.

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, and an impairment loss amounted to $13,382 thousand was recognized. In 2020, the carrying amount of the lands which have indicator of impairment was determined to be $169,852 thousand higher than its recoverable amount of $168,299 thousand. Therefore, an impairment loss amounted to $1,553 was recognized.

(Continued)

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 Company's and subsidiaries' property and equipment neither served as a guarantee or collateral, nor were they pledged.

(n) Right-of-use assets

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

		Land	Buildings	Machinery and equipment	Transportation equipment	Total
Cost:						
Balance at January 1, 2021	$	17,337	2,011,129	37,369	112,521	2,178,356
Additions		10,965	550,178	236	2,331	563,710
Disposal		(1,972)	(404,314)	(120)	(2,262)	(408,668)
Effect of changes in exchange rates		(13)	(12,918)	(164)	(63)	(13,158)
Balance at December 31, 2021	$	**26,317**	**2,144,075**	**37,321**	**112,527**	**2,320,240**
Balance at January 1, 2020	$	20,489	1,894,790	31,229	97,150	2,043,658
Additions		3,648	289,745	6,332	36,667	336,392
Disposal		(6,786)	(162,028)	(11)	(21,296)	(190,121)
Effect of changes in exchange rates		(14)	(11,378)	(181)	-	(11,573)
Balance at December 31, 2020	$	**17,337**	**2,011,129**	**37,369**	**112,521**	**2,178,356**
Accumulated depreciation:						
Balance at January 1, 2021	$	7,611	782,471	15,230	47,764	853,076
Depreciation		6,152	505,218	9,982	37,697	559,049
Changes in others		(1,956)	(390,033)	(120)	(2,261)	(394,370)
Effect of changes in exchange rates		(8)	(6,137)	(105)	(11)	(6,261)
Balance at December 31, 2021	$	**11,799**	**891,519**	**24,987**	**83,189**	**1,011,494**
Balance at January 1, 2020	$	4,494	476,895	6,340	32,497	520,226
Depreciation		5,080	499,969	8,939	36,563	550,551
Changes in others		(1,960)	(190,080)	(11)	(21,296)	(213,347)
Effect of changes in exchange rates		(3)	(4,313)	(38)	-	(4,354)
Balance at December 31, 2020	$	**7,611**	**782,471**	**15,230**	**47,764**	**853,076**
Carrying value:						
Balance at December 31, 2021	$	**14,518**	**1,252,556**	**12,334**	**29,338**	**1,308,746**
Balance at December 31, 2020	$	**9,726**	**1,228,658**	**22,139**	**64,757**	**1,325,280**
Balance at January 1, 2020	$	**15,995**	**1,417,895**	**24,889**	**64,653**	**1,523,432**

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(o) Intangible Assets

Changes in the costs, amortization, and impairment loss of intangible assets of the Company and subsidiaries for the year ended 2021 and 2020 were as follows:

	Computer software
Costs:	
Balance at January 1, 2021	$ 4,912,858
Additions	498,958
Balance at December 31, 2021	**$ 5,411,816**
Balance at January 1, 2020	$ 4,404,116
Additions	508,742
Balance at December 31, 2020	**$ 4,912,858**
Amortization:	
Balance at January 1, 2021	$ 3,830,032
Amortization for the year	397,249
Balance at December 31, 2021	**$ 4,227,281**
Balance at January 1, 2020	$ 3,464,057
Amortization for the year	365,975
Balance at December 31, 2020	**$ 3,830,032**
Carrying value:	
Balance at December 31, 2021	**$ 1,184,535**
Balance at January 1, 2020	**$ 940,059**
Balance at December 31, 2020	**$ 1,082,826**

(p) Other Assets, net

	December 31, 2021	December 31, 2020
Foreclosed collaterals and residuals taken over, net	$ 1,007,162	1,009,493
Advance payments	21,281,302	9,280,806
Operating guarantee deposits and settlement funds	240,017	79,726
Refundable deposits	8,299,664	2,349,272
Temporary payments and suspense accounts	3,068,612	2,905,182
Inventories	342,186	396,343
Others	206,733	115,332
Total	**$ 34,445,676**	**16,136,154**

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(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**

(ii) Advance payment

	December 31, 2021	December 31, 2020
Prepaid expenses	$ 196,263	145,822
Prepaid interests	15,453	9,777
Business tax paid	953	-
Business tax carry forward	923	678
Prepaid dividends	1,560,049	1,424,582
Other prepayment－Interbank Fund Transfer Special Accounts	19,432,096	7,602,154
Other prepayment－other	75,565	97,793
Total	**$ 21,281,302**	**9,280,806**

(iii) Inventories

	December 31, 2021	December 31, 2020
Inventories	**$ 342,186**	**396,343**

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	$ 397,231	357,158
Impairment loss recognized for the current period	12,688	61,716
Reversal of impairment loss for the current period	(12,064)	(11,952)
Effect of change in exchange rates and others	(7,849)	(9,691)
Ending balance	**$ 390,006**	**397,231**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Details of accumulated impairment were as follows:

	December 31, 2021	December 31, 2020
Financial assets measured at amortized cost	$ 147,034	141,015
Other financial assets	8	10
Property and equipment	141,019	127,637
Financial assets at fair value through other comprehensive income	101,945	123,534
Other assets	-	5,035
Total	$ **390,006**	**397,231**

(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	$ **301,575,853**	**268,447,708**

(s) Loans from Central Bank

	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	5,843,500	17,331,948
Subtotal	5,849,647	17,334,759
Financial liabilities designated at 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	$ **19,469,423**	**31,899,064**

(ii) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 7 “The Fair Value and Fair Value Hierarchy of the Financial Instruments”.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(iii) Financial liabilities held for trading

	December 31, 2021	December 31, 2020
Foreign exchange options premium	$ 6,147	2,811
Add: Valuation adjustment－Foreign exchange options premium	(2,298)	(1,106)
Valuation adjustment－Swaps	4,848,270	15,221,616
Valuation adjustment－Cross currency swaps	19,643	87,168
Valuation adjustment－Interest rate swaps	438,666	959,737
Valuation adjustment－Forward foreign exchanges	123,138	428,192
Valuation adjustment－Asset swaps	416,081	636,341
Total	**$ 5,849,647**	**17,334,759**

(iv) The details of the financial liabilities designated at 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	**$ 13,619,776**	**14,564,305**

The details of the financial bonds for BOT were as follows:

	Conditions				Bond		
Name of bond	Beginning date	Maturity date	Coupon rate	Face value	Type	Amount December 31, 2021	Amount December 31, 2020
2018-1 Senior unsecured financial bonds-B	2018/02/26	2048/02/26	0 %	USD $470 million	Senior unsecured financial bond	$ 12,997,850	13,207,000
				Valuation adjustment		621,926	1,357,305
						$ 13,619,776	**14,564,305**

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, BOT will pay the principal and interests accrued in full upon maturity.

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

	December 31, 2021	December 31, 2020
Foreign exchange options premium	$ 1,413,693	551,500
Swaps	643,464,329	752,400,967
Cross currency swaps	4,145,000	10,615,900
Interest rate swaps	12,273,638	19,010,754
Forward foreign exchanges	18,889,712	61,937,872
Asset swaps	6,620,607	2,259,240
Total	$ **686,806,979**	**846,776,233**

(u) Commercial paper payables, net

Details of the short-term notes payable of the Company and subsidiaries were as follows:

	December 31, 2021		
	Guarantee or acceptance institution	**Range of interest rates**	**Amount**
Commercial paper payables	China Bills Finance	0.428%~0.478%	$ 235,000
	Taishin International Bank	0.428%~0.488%	130,000
	Yuanta Bank	0.458%~0.508%	445,000
	KGI Commercial Bank	0.488%	60,000
			870,000
Less: discount			(163)
Total			$ **869,837**

	December 31, 2020		
	Guarantee or acceptance institution	**Range of interest rates**	**Amount**
Commercial paper payables	China Bills Finance	0.308%~0.348%	$ 170,000
	Taishin International	0.340%	135,000
	Taiwan Cooperative Bills Finance	0.338%~0.348%	210,000
	Yuanta Bank	0.318%	40,000
	KGI Commercial Bank	0.318%	50,000
			605,000
Less: discount			(98)
Total			$ **604,902**

(Continued)

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The Company and subsidiaries have no assets which were served as a guarantee or collateral, nor they were pledged for the short-term notes payable.

(v) Payables

		December 31, 2021	December 31, 2020
Accounts payables	$	9,688,223	5,552,767
Collection payables		1,122,398	994,471
Accrued expenses		3,295,316	3,149,625
Other tax payables		409,937	431,804
Accrued interests		9,029,985	10,124,051
Banker's acceptance payables		3,003,545	2,265,741
Payables to representative organizations		845,678	612,917
Construction payables		7,371	2,197
Commission payables		59,771	83,119
Accounts payables－factoring receivables without recourse		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 difference		2,623,423	2,377,220
Other payables－foreign exchange awaiting transfer		787,048	736,863
Other payables – amounts awaiting settlement		310,443	3,915,606
Other payables－settlement accounts payable		6,389,028	6,714,171
Other payables－overdue accounts		297,373	229,270
Other payables－check deposit		82,707	102,673
Other payables－collections		11,215	7,724
Other payables－others		1,088,728	2,787,818
Total	$	**50,151,374**	**51,217,836**

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(w) Deposits and Remittances

	December 31, 2021	December 31, 2020
Check deposits	$ 51,871,060	40,837,154
Government deposits	374,693,912	330,759,861
Demand deposits	527,907,193	488,904,083
Time deposits	664,976,681	658,442,401
Remittances	792,440	712,444
Savings account deposits:		
Demand savings deposits	1,130,747,168	1,084,523,034
Staff accounts deposits	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 deposits	767,547,030	779,880,569
Staff time savings deposits	11,841,163	10,603,005
Preferential interest deposits	227,163,463	329,795,927
Total	$ 4,195,484,066	4,160,605,144

(x) Financial Bonds Payables

	Condition			Bond		
Name of bond	Beginning date	Maturity date	Interest rate	Type	Amount December 31, 2021	Amount December 31, 2020
2013-1 TWD subordinated unsecured financial bonds	2013/12/2	2023/12/2	The Bank's listed annual fixed interest rate of time deposits, plus, 0.39%.	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 0.30%	Subordinated unsecured financial bond	5,500,000	5,500,000
2014-1 TWD subordinated unsecured financial bonds-B	2014/06/27	2024/06/27	1.70%	Subordinated unsecured financial bond	2,000,000	2,000,000
2014-1 TWD subordinated unsecured financial bonds-C	2014/06/27	2024/06/27	The Bank's listed annual fixed interest rate of time deposits, plus, 0.39%	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	-
			unamortized discount amount		(942)	(915)
Total					$ 25,999,058	24,999,085

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(y) Borrowings

	December 31, 2021	December 31, 2020
Credit loan and guarantee loan	$ -	-
Interest rate range		
Call loans in foreign currency (including related party)	0.240%～0.290%	0.420%～0.460%
The borrowings which were not utilized (including related party)	$ **15,304,205**	**15,309,100**

(z) Other Financial Liabilities

	December 31, 2021	December 31, 2020
Appropriated loan funds	$ 7,179	11,262
Liability of insurance product-separate account	8,810,282	3,018,443
Principal from structured products	416,037	913,408
Total	$ **9,233,498**	**3,943,113**

(aa) Provision

	December 31, 2021	December 31, 2020
Reserve for unearned premiums	$ 369,122	387,861
Claims reserve	105,023	124,503
Liability reserve	436,682,934	419,604,638
Special reserve	109,895	-
Reserve for premium deficiency	825,642	1,583,323
Foreign exchange volatility reserve	159,705	129,185
Employee benefit obligations	22,916,284	20,688,292
Guarantee reserve	921,842	1,030,971
Reserve for government employees insurance	453,664,223	399,177,462
Other reserve	410,132	373,257
Loan commitments reserve	5,674	16,279
Total	$ **916,170,476**	**843,115,771**

(Continued)

(ab) Insurance contracts and financial products with discretionary participation feature

Information on insurance contract and financial product with the discretionary participation feature of the subsidiary, BTLI, as of December 31, 2021 and 2020 were as follows:

(i) Details of reserve for unearned premium:

	December 31, 2021		
	Insurance Contract	Financial products with discretionary participation feature	Total
Personal life insurance	$ 8,926	-	8,926
Personal injury insurance	77,246	-	77,246
Personal health insurance	119,380	-	119,380
Group insurance	163,514	-	163,514
Investment-linked insurance	56	-	56
Total	369,122	-	369,122
Deduction of reserve for unearned premium outward:			
Personal life insurance	$ 1,001	-	1,001
Personal injury insurance	2,152	-	2,152
Group insurance	1,807	-	1,807
Total	4,960	-	4,960
Net	**$ 364,162**	**-**	**364,162**

	December 31, 2020		
	Insurance Contract	Financial products with discretionary participation feature	Total
Personal life insurance	$ 10,310	-	10,310
Personal injury insurance	71,509	-	71,509
Personal health insurance	122,068	-	122,068
Group insurance	183,920	-	183,920
Investment-linked insurance	54	-	54
Total	387,861	-	387,861
Deduction of reserve for unearned premium outward:			
Personal life insurance	$ 1,363	-	1,363
Personal injury insurance	3,066	-	3,066
Group insurance	4,941	-	4,941
Total	9,370	-	9,370
Net	**$ 378,491**	**-**	**378,491**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The reconciliations of reserve for unearned premium were listed below:

	2021		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Balance at January 1, 2021	$ 387,861	-	387,861
Provision	343,603	-	343,603
Reclaim	(362,279)	-	(362,279)
Other	(63)	-	(63)
Balance at December 31, 2021	369,122	-	369,122
Deduction of reserve for unearned premium outward			
Balance at January 1, 2021, net	9,370	-	9,370
Provision	4,960	-	4,960
Reclaim	(9,370)	-	(9,370)
Balance at December 31, 2021, net	4,960	-	4,960
Balance at December 31, 2021	**$ 364,162**	**-**	**364,162**

	2020		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Balance at January 1, 2020	$ 381,947	-	381,947
Provision	367,197	-	367,197
Reclaim	(361,245)	-	(361,245)
Effect of changes in exchange rates	(1)	-	(1)
Other	(37)	-	(37)
Balance at December 31, 2020	387,861	-	387,861
Deduction of reserve for unearned premium outward			
Balance at January 1, 2020, net	9,068	-	9,068
Provision	9,370	-	9,370
Reclaim	(9,068)	-	(9,068)
Balance at December 31, 2020, net	9,370	-	9,370
	$ 378,491	**-**	**378,491**

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(ii) Details of claims reserve:

	December 31, 2021		
	Insurance Contract	Financial products with discretionary participation feature	Total
Personal life Insurance			
Reported but not paid	$ 10,743	2,312	13,055
Not reported and not paid	303	-	303
Personal injury insurance			
Reported but not paid	177	-	177
Not reported and not paid	16,473	-	16,473
Personal health insurance			
Reported but not paid	6,026	-	6,026
Not reported and not paid	22,390	-	22,390
Group insurance			
Reported but not paid	1,596	-	1,596
Not reported and not paid	45,003	-	45,003
Total	102,711	2,312	105,023
Deduction of claims reserve-outward:			
Personal life Insurance	$ 983	-	983
Personal injury insurance	533	-	533
Personal health insurance	1,897	-	1,897
Group insurance	672	-	672
Total	4,085	-	4,085
Net	**$ 98,626**	**2,312**	**100,938**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	December 31, 2020		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Personal life Insurance			
Reported but not paid	$ 13,371	19,220	32,591
Not reported and not paid	(54)	-	(54)
Personal injury insurance			
Reported but not paid	331	-	331
Not reported and not paid	17,556	-	17,556
Personal health insurance			
Reported but not paid	7,044	-	7,044
Not reported and not paid	22,874	-	22,874
Group insurance			
Reported but not paid	4,029	-	4,029
Not reported and not paid	40,132	-	40,132
Total	105,283	19,220	124,503
Deduction of claims reserve-outward:			
Personal life Insurance	$ 802	-	802
Personal injury insurance	699	-	699
Personal health insurance	122	-	122
Group insurance	834	-	834
Total	2,457	-	2,457
Net	**$ 102,826**	**19,220**	**122,046**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The reconciliations of claims reserve were listed below:

	2021		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Balance at January 1, 2021	$ 105,283	19,220	124,503
Provision	464,389	8,448	472,837
Recovery	(466,953)	(25,356)	(492,309)
Effect of changes in exchange rates	(8)	-	(8)
Balance at December 31, 2021	102,711	2,312	105,023
Deduction of claims reserveoutward			
Balance at January 1, 2021, net	2,457	-	2,457
Provision	18,747	-	18,747
Recovery	(17,118)	-	(17,118)
Effect of changes in exchange rates	(1)	-	(1)
Balance at December 31, 2021, net	4,085	-	4,085
Balance at December 31, 2021	**$ 98,626**	**2,312**	**100,938**

	2020		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Balance at January 1, 2020	$ 85,181	2,635	87,816
Provision	410,759	32,980	443,739
Recovery	(390,630)	(16,395)	(407,025)
Effect of changes in exchange rates	(27)	-	(27)
Balance at December 31, 2020	105,283	19,220	124,503
Deduction of claims reserveoutward			
Balance at January 1, 2020, net	4,543	-	4,543
Provision	15,723	-	15,723
Recovery	(17,809)	-	(17,809)
Balance at December 31, 2020, net	2,457	-	2,457
Balance at December 31, 2020	**$ 102,826**	**19,220**	**122,046**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(iii) Details of liability reserve:

	December 31, 2021		
	Insurance Contract	Financial products with discretionary participation feature	Total
Life insurance	$ 380,573,117	-	380,573,117
Health insurance	10,970,031	-	10,970,031
Annuity insurance	95,916	43,735,801	43,831,717
Reclaim of reserve for major accidents	2,428	-	2,428
Strengthen increasing reserve	1,160,000	-	1,160,000
Reserve for life insurance – reduce sales tax (the accumulated unwritten-off allocation of 3% of sales)	145,641	-	145,641
Total	$ 392,947,133	43,735,801	436,682,934

	December 31, 2020		
	Insurance Contract	Financial products with discretionary participation feature	Total
Life insurance	$ 364,939,729	-	364,939,729
Health insurance	10,011,444	-	10,011,444
Annuity insurance	65,344	43,280,052	43,345,396
Reclaim of reserve for major accidents	2,428	-	2,428
Strengthen increasing reserve	1,160,000	-	1,160,000
Reserve for life insurance – reduce sales tax (the accumulated unwritten-off allocation of 3% of sales)	145,641	-	145,641
Total	$ 376,324,586	43,280,052	419,604,638

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The reconciliation of the above mentioned changes in liability reserve is listed below:

	2021		
	Insurance Contract	Financial products with discretionary participation feature	Total
Balance at January 1, 2021	$ 376,324,586	43,280,052	419,604,638
Provision	40,810,260	2,983,134	43,793,394
Reclaim	(23,633,382)	(2,489,899)	(26,123,281)
Gain from cancellation of insurance	(109,746)	(21,028)	(130,774)
Effect of changes in exchange rates	(459,868)	(16,457)	(476,325)
Others	15,282	-	15,282
Balance at December 31, 2021	**$ 392,947,132**	**43,735,802**	**436,682,934**

	2020		
	Insurance Contract	Financial products with discretionary participation feature	Total
Balance at January 1, 2020	$ 338,353,484	44,300,122	382,653,606
Provision	55,986,008	1,600,877	57,586,885
Reclaim	(16,081,536)	(2,595,963)	(18,677,499)
Gain from cancellation of insurance	(104,248)	(24,984)	(129,232)
Effect of changes in exchange rates	(1,826,146)	-	(1,826,146)
Others	(2,976)	-	(2,976)
Balance at December 31, 2020	**$ 376,324,586**	**43,280,052**	**419,604,638**

(iv) Details of special reserve:

	December 31, 2021		
	Insurance Contract	Financial products with discretionary participation feature	Total
Provision of dividend policy	**$ 109,895**	**-**	**109,895**

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	December 31, 2020		
	Insurance Contract	Financial products with discretionary participation feature	Total
Provision of dividend policy	(32,365)	-	(32,365)
Provision of dividend risk	32,365	-	32,365
Total	$ -	-	-

The movements of special reserve were listed below:

	2021		
	Insurance Contract	Financial products with discretionary participation feature	Total
Balance at January 1, 2021	$ -	-	-
Provision of dividend policy	147,260	-	147,260
Recovery of dividend policy	(5,000)	-	(5,000)
Provision of reserve for dividend risk	(32,365)	-	(32,365)
Balance at December 31, 2021	$ **109,895**	**-**	**109,895**

	2020		
	Insurance Contract	Financial products with discretionary participation feature	Total
Balance at January 1, 2020	$ 28,758	-	28,758
Provision of dividend policy	(8,894)	-	(8,894)
Recovery of dividend policy	(27,612)	-	(27,612)
Provision of reserve for risk of policy dividend	32,365	-	32,365
Other application	(24,617)	-	(24,617)
Balance at December 31, 2020	$ -	-	-

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(v) Reserve for premium deficiency:

	December 31, 2021		
	Insurance Contract	Financial products with discretionary participation feature	Total
Personal life insurance	$ 742,932	-	742,932
Personal health insurance	82,710	-	82,710
Total	**$ 825,642**	**-**	**825,642**

	December 31, 2020		
	Insurance Contract	Financial products with discretionary participation feature	Total
Personal life insurance	$ 1,497,661	-	1,497,661
Personal health insurance	85,662	-	85,662
Total	**$ 1,583,323**	**-**	**1,583,323**

The reconciliations of reserve for premium deficiency were listed as below:

	2021		
	Insurance Contract	Financial products with discretionary participation feature	Total
Balance at January 1, 2021	$ 1,583,323	-	1,583,323
Provision	12,496	-	12,496
Reclaim	(766,793)	-	(766,793)
Effect of changes in exchange rates	(3,384)	-	(3,384)
Balance at December 31, 2021	**$ 825,642**	**-**	**825,642**

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	2020		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Balance at January 1, 2020	$ 2,156,307	-	2,156,307
Provision	593,116	-	593,116
Reclaim	(1,151,050)	-	(1,151,050)
Effect of changes in exchange rates	(15,050)	-	(15,050)
Balance at December 31, 2020	**$ 1,583,323**	**-**	**1,583,323**

(vi) Details of provision for liability adequacy:

1) A summary of liability adequacy reserve for long-term insurance of the subsidiary, BTLI, as of December 31, 2021 and 2020 was as follows:

	December 31, 2021	**December 31, 2020**
Liability reserve	$ 436,594,707	419,513,524
Reserve for unearned premium	191,209	187,886
Special reserve	109,895	-
Reserve for premium deficiency	825,642	1,583,323
Book value of insurance liability	**$ 437,721,453**	**421,284,733**
Estimate of present cash flow	**$ 408,253,025**	**393,706,993**

The carrying amount of insurance liabilities was adequate, compared with the amount calculated based on current estimates of future cash flows under insurance contracts. As a result, BTLI was not required to set aside liability adequacy reserve.

2) As of December 31, 2021 and 2020, the short-term insurance of liability adequacy reserve of BTLI is summarized as follows:

	December 31, 2021	**December 31, 2020**
Claim and reserve within a year	$ 84,455	87,976
Less: Premium not received within a year	545	606
Subtotal	**$ 83,910**	**87,370**
Unearned premium reserve	**$ 177,913**	**199,975**
Liability adequacy reserve	**$ -**	**-**

The amount of claim and reserve within a year, deducted by the current unpaid premium, were lower than the amount of unearned premium reserve; and therefore, the liability adequacy was sufficient.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Inward reinsurance: Starting 2015, the Central Reinsurance Corporation ceased to continue to transfer its reinsurance business to BTLI due to its reinsurance policy adjustment. It is not required to conduct a liability adequacy test for inward reinsurance.

3) The liability adequacy test methods used by the subsidiary, BTLI, were listed below:

	December 31, 2021	December 31, 2020
Test Method	Long term insurance : gross premium evaluation method: Short term insurance (including inward reinsurance) : loss evaluation method	Long term insurance : gross premium evaluation method: Short term insurance (including inward reinsurance) : loss evaluation method
Group	Test long and short term insurance separately	Test long and short term insurance separately
Significant assumption	Based on the newest composed of asset on the time of evaluating and the level of risk free interest rate, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2020 (with steady state assumption for discount rates after 30 year).	Based on the newest composed of asset on the time of evaluating and the level of risk free interest rate, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019 (with steady state assumption for discount rates after 30 year).

(vii) Details of appropriated special reserve (special catastrophe reserve and special risk-volatility reserve)

	2021		
	Insurance Contract	Financial products with discretionary participation feature	Total
Special catastrophe reserve	$ 248,791	2,609	251,400
Special risk-volatility reserve	151,868	-	151,868
Total	**$ 400,659**	**2,609**	**403,268**

	2020		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Special catastrophe reserve	$ 248,898	2,609	251,507
Special risk-volatility reserve	159,305	-	159,305
Total	$ 408,203	2,609	410,812

(ac) Foreign exchange volatility reserves

(i) Hedging strategy and risk exposure:

The Company's subsidiary, BTLI, has hedged its foreign exchanges by considering market situations and hedging cost.

As of December 31, 2021 and 2020, the primary foreign exchange exposures were USD assets, amounting $53,895,317 thousand and $56,749,708 thousand, respectively.

(ii) The movements in foreign exchange volatility reserve were as follows:

	2021	2020
Balance at 1 January	$ 129,185	465,900
Current provision:		
Compulsory provision	313,466	409,478
Additional provision	925,134	436,865
Subtotal	1,238,600	846,343
Current recovery	(1,208,080)	(1,183,058)
Balance at December 31	$ 159,705	129,185

(iii) Comparisons table shows the effects on profit/loss, liability, equity and earnings per share due to not applying this rule was as follows:

Items	Amount not applied	Amount applied	Changes
Liability and equity			
December 31, 2021			
Reserve for foreign exchange valuation	$ -	159,705	(159,705)
Equity	398,154,397	398,026,633	127,764
December 31, 2020			
Reserve for foreign exchange valuation	-	129,185	(129,185)
Equity	377,987,148	377,883,800	103,348

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Items		Amount not applied	Amount applied	Changes
Income (loss) after tax and earnings (loss) per share				
2021				
Income (loss) after tax	$	15,726,282	15,701,866	24,416
Earnings (loss) per share		1.52	1.52	-
2020				
Income (loss) after tax		8,725,732	8,995,104	(269,372)
Earnings (loss) per share		0.85	0.87	(0.02)

(ad) Employee benefit obligations

		December 31, 2021	December 31, 2020
Recognized in Consolidated Balance Sheet:			
—Defined benefit plans	$	15,335,048	14,172,847
—Employees preferential interest deposits		7,437,728	6,381,498
—Three Chinese festival bonus		5,504	4,478
—Civil servant and teacher insurance excess		138,004	129,469
Total	**$**	**22,916,284**	**20,688,292**

1) The reconciliation of the defined benefit obligations at present value and plan assets at fair value were as follows:

		December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	$	31,981,078	29,709,261
Less: fair value of the plan assets		(9,064,794)	(9,020,969)
Net defined benefit liabilities (assets)	**$**	**22,916,284**	**20,688,292**

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

	2021	2020
Defined benefit obligation at January 1	$ 29,709,260	28,516,431
Current service costs	1,389,645	1,339,894
Remeasurements of the defined benefit plans in other comprehensive income		
—Actuarial gains and losses in demographic changes in assumptions	1,261,412	-
—Actuarial gains and losses in financial changes in assumptions	(110,394)	166,148
—Experience adjustments	865,801	1,022,637
Current actuarial gains and losses	2,126,048	1,820,472
Contributed by the participant of the plan	-	4,714
Benefit payments	(3,260,694)	(3,161,035)
Defined benefit obligation at December 31	**$ 31,981,078**	**29,709,261**

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

	2021	2020
Fair value of plan assets at January 1	$ 9,020,969	8,780,370
Interest revenues	64,713	68,234
Remeasurements of defined benefit plans in other comprehensive income		
—Return on plan assets	29,168	114,453
Contribution made by the plan participant	1,080,728	1,074,184
Benefit payments	(1,130,784)	(1,016,272)
Fair value of plan assets at December 31	**$ 9,064,794**	**9,020,969**

4) Expenses recognized in profit or loss

	2021	2020
Current service costs	$ 968,048	914,320
Net interest of the defined benefit liabilities (assets)	356,884	357,340
Current actuarial gains and losses	2,126,048	1,820,472
Total	**$ 3,450,980**	**3,092,132**

(Continued)

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

The Company's and subsidiaries' 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	$ 7,361,828	6,287,496
Recognized during the period	1,987,651	1,074,332
Accumulated amount at December 31	**$ 9,349,479**	**7,361,828**

6) Actuarial assumptions

For the defined benefit obligations at present value:

	December 31, 2021	December 31, 2020
Discount rate	0.49%~4.00%	0.51%~4.00%
Future of salary increases	0.50%~3.00%	0.50%~3.00%
Assets expected rate of return	0.75%	0.75%

For cost of the defined benefit plan :

	December 31, 2021	December 31, 2020
Discount rate	0.49%~4.00%	0.51%~4.00%
Future of salary increases	0.50%~3.00%	0.50%~3.00%
Assets expected rate of return	0.75%	0.75%

The estimated future mortality rate used in calculating the defined benefit plan of the Company and subsidiaries were based on the fifth and sixth rounds of the Taiwan Life Experience Life Table in 2021 and 2020, respectively.

The Company and subsidiaries expect to pay the benefits amounting to $1,190,117 thousand within one year.

7) Sensitivity analysis

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:

	Impact on the defined benefit obligation		
	Actuarial assumption changes (%)	**Actuarial assumption increase**	**Actuarial assumption decrease**
December 31, 2021			
Discount rate	0.25%	$ 31,072,624	32,860,497
Salary increase rate	0.50%	33,256,934	30,800,472
December 31, 2020			
Discount rate	0.25%	28,864,065	30,532,191
Salary increase rate	0.50%	30,949,351	28,562,860

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

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ae) Lease liabilities

The Company and subsidiaries's lease liabilities were as follows:

	December 31, 2021	**December 31, 2020**
Carrying amounts	$ 1,210,595	1,205,735

For the maturity analysis, please refer to note 8.

The amounts recognized in profit or loss were as follows:

	2021	**2020**
Interest on lease liabilities	$ 15,229	15,412
Variable lease payments not included in the measurement of lease liabilities	$ 2,686	2,398
Expenses relating to short-term leases	$ 2,398	1,906
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 3,351	2,804
Covid-19-related rent concessions (recognized as other income)	$ 20,655	(18,570)

(Continued)

The amounts recognized in the statement of cash flows for the Company and subsidiaries were as follows:

	2021	2020
Total cash outflow for leases	$ 572,018	545,042

(i) Real estate leases

The Company and subsidiaries leased land and 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 leases 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 Company and subsidiaries also lease miscellaneous equipment and parking space with contract terms of 1~3 years. These leases are short-term and leases of low-value items. The Company and subsidiaries have elected not to recognize right-of-use assets and lease liabilities for these leases.

(af) Operating lease

(i) Subsidiary, BOT

The subsidiary leases out its investment property and some machinery. The subsidiary 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 subsidiary, BOT, 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 and rent concessions were $144,670 thousand and $8,401 thousand, respectively. The amount of deducted rent rent payment were $90,601 thousand and $87,852 thousand, respectively

(ii) Subsidiary, BTLI

The subsidiary leases out its investment property. The subsidiary 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. Please refer to note 6 (l).

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	$ 308,042	266,207
One to two years	189,311	199,989
Two to three years	139,529	104,405
Three to four years	96,992	66,615
Four to five years	154,912	25,977
More than five years	59,525	26,460
Total undiscounted lease payments	**$ 948,311**	**689,653**

The subsidiary, BTLI, was cooperated with the government in 2020 in response to the impact of Covid-19. Starting the second half of 2020, BTLI has implemented relief measures for the lessees who are "affected by Covid-19" to enjoy rent deferral or rent reduction. Rent can be cut down retrospectively from January, 2020 to make the reduction up to 20% in total for the entire year. The amount of rent reduction in 2021 and 2020 were $8,083 thousand and $38,450 thousand, respectively

For further information of the rental revenue and direct operating cost yield by the investment property in 2021 and 2020, please refer to note 6 (l).

(iii) Subsidiary, BTS

The subsidiary leases out its investment property. The subsidiary 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	$ 10,076	10,076
One to two years	7,832	9,990
Two to three years	3,470	7,746
Three to four years	87	3,384
Four to five years	87	-
Total undiscounted lease payments	**$ 21,552**	**31,196**

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The subsidiary, BTS, provided the lessees deferred rent payment and rent concessions in accordance with the government' s policy for Covid-19 pandemic. The amount of rent concessions in 2021 and 2020 were both $1,998 thousand.

(ag) Other Liabilities

	December 31, 2021	December 31, 2020
Advance collections	$ 1,768,290	2,231,671
Guarantee deposits received	4,702,487	7,769,291
Temporary receipt awaiting suspense accounts	653,907	145,039
Other liabilities to be settled	8,239	8,239
Compensation arising from land revaluation	1,264,803	1,264,803
Deferred service revenues	35,657	90,226
Collections for underwriting stock value	4,709,794	827,126
Total	**$ 13,143,177**	**12,336,395**

(ah) Income Tax Expenses

(i) Income tax expenses (benefits)

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

	2021	2020
Current income tax expenses		
Occurred in the current period	$ 1,245,119	1,231,848
Adjustment for prior periods	-	(359,922)
Deferred tax expenses	(36,057)	(1,329,078)
Income tax expenses (benefits)	**$ 1,209,062**	**(457,152)**

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

	2021	2020
Exchange differences on translation of foreign operations	$ (188)	(750)
Unrealized gains (losses) on debt instruments measured at fair value through other comprehensive income	(8,837)	6,081
Unrealized valuation gains (losses) on equity instruments measured at fair value through other comprehensive income	7,740	(14,453)
Other comprehensive profits (losses) reclassified using overlay approach	20,535	13,664
Actuarial gains (losses) on defined benefit plans	(10,003)	(2,690)
	$ 9,247	**1,852**

(Continued)

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Reconciliations of income tax expenses (benefits) and profit before tax for 2021 and 2020 were as follows:

	2021	2020
Profit before tax	$ 16,910,928	8,537,952
Income tax based on domestic tax rate	3,382,186	1,707,590
Income basic tax	-	590,932
Effects of changes in foreign exchange rates	455,382	472,776
Non-deductible expenses	75,863	(318,368)
Cessation of transfer tax on stocks	(580,024)	(613,093)
Reinvestment gain exemption (dividends)	(1,882,914)	(1,246,853)
Unrecognized losses from deferred income tax assets in current period	-	67,356
Unrecognized temporary variance	355,241	(219,690)
Under-(Over-)estimation in prior period	-	(359,922)
Income from tax-exempt of offshore insurance unit	(105)	(147)
Income exemption of Offshore Banking Unit	(499,490)	(598,582)
Others	(97,077)	60,849
Total	$ 1,209,062	(457,152)

(ii) Deferred Tax Assets and Liabilities

1) Unrecognized deferred tax assets

Unrecognized deferred tax assets were as follows:

	December 31, 2021	December 31, 2020
Deductible temporary difference	$ 5,445,276	5,438,087

2) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities for 2021 and 2020 were as follows:

Deferred Tax Assets:

	Defined Benefit Plans	Fair Value Gains	Unrealized Gain or Loss on Foreign Exchange	Other	Total
Balance at January 1, 2021	$ 147,747	280,895	4,304,291	413,217	5,146,150
Recognized in profit or loss	8,548	(107,442)	(107,272)	46,951	(159,215)
Recognized in other comprehensive income	11,137	(29,092)	187	-	(17,768)
Balance at December 31, 2021	**$ 167,432**	**144,361**	**4,197,206**	**460,168**	**4,969,167**

(Continued)

	Defined Benefit Plans	Fair Value Gains	Unrealized Gain or Loss on Foreign Exchange	Other	Total
Balance at January 1, 2020	$ 146,743	516,450	2,500,815	786,588	3,950,596
Recognized in profit or loss	1,004	(234,712)	1,802,726	(33,627)	1,535,391
Recognized in other comprehensive income	-	(843)	750	-	(93)
Turns to income tax refund	-	-	-	(339,744)	(339,744)
Balance at December 31, 2020	**$ 147,747**	**280,895**	**4,304,291**	**413,217**	**5,146,150**

Deferred Tax Liabilities:

	Defined benefit plans	Land value increment tax	Fair value gains	Other	Total
Balance at January 1, 2021	$ 3,078	18,237,949	647,473	-	18,888,500
Recognized in profit or loss	(918)	-	(194,354)	-	(195,272)
Recognized in other comprehensive income	1,133	-	(9,654)	-	(8,521)
Balance at December 31, 2021	**$ 3,293**	**18,237,949**	**443,465**	**-**	**18,684,707**
Balance at January 1, 2020	$ 6,603	18,238,619	435,834	(628)	18,680,428
Recognized in profit or loss	(835)	(670)	207,190	628	206,313
Recognized in other comprehensive income	(2,690)	-	4,449	-	1,759
Balance at December 31, 2020	**$ 3,078**	**18,237,949**	**647,473**	**-**	**18,888,500**

(ai) Equity

(i) Capital stock

On January 1, 2008, TFH was established by the Bank of Taiwan in a share swap. The capital from the share exchange was 9,000,000 thousand shares, and the capital stock had a par value of $10.

A resolution was passed during the meetings of the Company’s board of directors, acting on behalf of the board of shareholders, on April 25 and June 27, 2019 for the issuance of ordinary shares paid in land under the private placement, with a selling price of $32 per share and September 6, 2019 as the date of the capital increase. The total amount of the capital injection was $42 billion. The issuance was approved by the FSC (Ruling No. 10801305310) and the Ministry of Economic Affairs (Ruling No. 10801133970) on July 17 and October 18, 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 Article 43-8 under the Securities and Exchange Act. The Company 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 Company's authorized and issued capital were both $103,125,000 thousand ($90,000,000 thousand was under public offering and $13,125,000 thousand was under private placement).

(ii) Capital surplus

	December 31, 2021	December 31, 2020
Changes in equity of associates and joint ventures accounted for using equity method	$ 9	9
Equity premium- premium from merger	111,385,217	111,385,217
Equity premium- capital increase based on land pricing	28,875,000	28,875,000
Total	$ **140,260,226**	**140,260,226**

According to the ROC Company Act prior to the new amendment on January 4, 2012, the capital surplus can only be used to increase share capital by using the realized capital surplus after offsetting the deficit. The capital surplus cannot be used for the distribution of cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from the premium on the issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed a certain percentage of the total common stock outstanding. The Company may only increase its capital reserve out of the share capital from the 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 from the cash premium on capital stock. According to the new amendment of the ROC Company Act, the Company can pay stock or cash dividends with the capital surplus when there is no loss and a resolution has been passed by the shareholders.

However, in accordance with the laws and regulations regarding government-run businesses as well as the bank's articles of incorporation, only current year earnings, undistributed earnings accumulated from prior years, and the portion of legal reserve permitted to be distributed can be used as a resource for cash distribution. The capital surplus will not be included and allowed for distribution as a cash dividend. Also, in light of the ruling No. 10801091260 issued by the FSC on August 23, 2019, the Company had a meeting with BOT on December 12, 2019 to discuss their capital plan and the mechanism of internal control over the appropriateness of using the premium of $28,875,000 thousand generated from the capital injected with land in 2019 to distribute cash dividends in the future. The Company will follow the related guidance going forward.

(iii) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(iv) Appropriation of earnings

The articles of incorporation of the Company 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 10% as legal reserve;

4) special reserve

In addition to appropriate 40~60% of residual earnings as special reserve, in accordance with the Order No. 1100208161 issued by the FSC on May 12, 2021, the Company shall set aside an amount equals to the special reserve for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in the shareholders' equity which the Company elect to reclassify to retained earnings by applying the exemption under IFRSs No. 1. When subsequently using, disposing, or reclassifying the relevant assets, a proportional amount of the special reserve originally set aside may be reversed to distributable earnings. In accordance with the guidelines of the above Ruling, a portion of current-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be distributed should be equal to the net reduction of other shareholder's equity. If the amount of current-period earnings is insufficient, the prior-period earnings shall be reclassified as supplement. Similarly, a portion of the undistributed prior-period earnings shall be reclassified as special earnings reserve to account for the prior-period net reduction of other shareholder's equity. The 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 Company's policy, 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 Company's earnings, which were evenly distributed to the National Treasury in April, July, October, and December, were recognized in the consolidated financial statements accordingly. Thereafter, the distributed amounts will be adjusted in the final accounting of the Executive Yuan and National Audit Office. For the prepaid dividends of the Company as of December 31, 2021 and 2020, please refer to note 6 (p).

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(v) Other equity(net of tax)

	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	$ (2,933,069)	58,215,471	(86,229)	3,987	624,670	55,824,830
Exchange differences on translation of foreign operations	(498,717)	-	-	-	-	(498,717)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	8,641,472	-	-	-	8,641,472
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	-	-	-	-	(329,998)	(329,998)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(41,449)	-	-	-	(41,449)
Balance at December 31, 2021	**$ (3,431,786)**	**66,815,494**	**(19,502)**	**4,099**	**294,672**	**63,662,977**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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	$	(1,405,583)	61,346,295	(109,236)	3,955	148,813	59,984,244
Exchange differences on translation of foreign operations		(1,527,486)	-	-	-	-	(1,527,486)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		-	(3,701,469)	-	-	-	(3,701,469)
Gains (losses) of associates and joint ventures accounted for using equity method on financial Instruments for hedging		-	-	-	32	-	32
Other Comprehensive income reclassified by applying overlay approach		-	-	-	-	475,857	475,857
Disposal of investments in equity instruments measured at fair value through other comprehensive income		-	570,645	-	-	-	570,645
Change in fair value of financial liability attributable to change in credit risk of liability		-	-	23,007	-	-	23,007
Balance at December 31, 2020	$	**(2,933,069)**	**58,215,471**	**(86,229)**	**3,987**	**624,670**	**55,824,830**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(aj) Net interest income

	2021	2020
Interest income:		
Loans and discounts	$ 35,706,685	37,368,728
Placement with Central Bank and call loans to banks	4,403,377	6,706,809
Securities investment	17,717,604	19,011,013
Credit cards	18,809	21,288
Bonds purchased under resell agreements	26,798	45,903
Others	829,177	1,243,479
Subtotal	58,702,450	64,397,220
Interest expense:		
Deposits from customers	17,199,998	24,081,984
Deposits of Central Banks and other banks	1,121,679	2,058,763
Loans from Central Banks and other banks	29,827	4,542
Bonds sold under repurchased agreements	14,082	81,614
Financial bonds	252,226	270,694
Structured deposits	7,870	18,394
Others	25,102	42,068
Subtotal	18,650,784	26,558,059
Total	**$ 40,051,666**	**37,839,161**

(ak) Service fees, net

	2021	2020
Service fees revenues:		
Bank business	$ 4,882,198	5,171,456
Insurance business	401,036	180,114
Securities business	1,214,351	745,906
Subtotal	6,497,585	6,097,476
Service fees expenses:		
Bank business	763,838	735,031
Insurance business	606,763	710,909
Securities business	111,970	60,481
Subtotal	1,482,571	1,506,421
Total	**$ 5,015,014**	**4,591,055**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The Company and subsidiaries provide custody, trust, investment management and advisory services to third parties, therefore, the Company's and subsidiaries' plan, manage and make trading decisions about these financial instruments. Trust funds or portfolios, entrusted with management and application, prepare financial statements for internal management purposes and will not include in the financial statements of the Company and subsidiaries.

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

	2021	2020
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss:		
Dividend income	$ 6,577,910	5,985,511
Net interest expense	(16,648)	(114,112)
Net gain on disposal	9,108,121	11,336,380
	15,669,383	17,207,779
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss－valuation:		
Net gain on valuation	37,849,135	48,543,912
Total	**$ 53,518,518**	**65,751,691**

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

	2021	2020
Dividend income	$ 3,975,128	3,457,100
Gain on disposal	782,317	395,188
Total	**$ 4,757,445**	**3,852,288**

(an) Other non-interest income (expenses)

	2021	2020
Sales revenue, net	$ 411,131	846,871
Subsidized income from government(note)	7,721,076	7,784,351
Others	81,555	144,509
Excess preferential interest expenses	(6,926,216)	(8,538,127)
Total	**$ 1,287,546**	**237,604**

Note: According to the Government Employees and School 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. Please refer to note 16(c) for the supplementary information for government employees' insurance department of BOT.

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ao) Employee benefits expenses

	2021	2020
Salaries	$ 12,896,871	12,636,579
Director's emoluments	8,041	8,274
Labor and health insurances	625,989	583,505
Pensions	1,110,596	1,053,933
Others	268,104	273,482
Total	**$ 14,909,601**	**14,555,773**

(ap) Depreciation and amortization expenses

	2021	2020
Depreciation expenses	$ 1,510,538	1,388,483
Amortization expenses	398,612	367,515
Total	**$ 1,909,150**	**1,755,998**

(aq) Other general and administrative expenses

	2021	2020
Taxes	$ 2,730,893	2,807,473
Rental expenses	15,548	14,097
Insurance expenses	1,057,983	1,006,926
Postage and phone / fax expenses	258,013	260,464
Utilities	180,477	183,268
Supplies expense	211,267	183,914
Repair and maintenance expenses	425,449	419,344
Marketing expenses	437,803	438,581
Professional service fees	838,892	849,654
Others	429,998	459,041
Total	**$ 6,586,323**	**6,622,762**

(ar) Earnings per Share

The Company's basic earnings per share were calculated as follows:

	2021	2020
Consolidated net income	**$ 15,701,866**	**8,995,104**
Weighted average outstanding shares (in thousand shares)	**10,312,500**	**10,312,500**
Basic earnings per share (in dollars)	**$ 1.52**	**0.87**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(as) Insurance income, net

	2021		
	BOT government employees' insurance department	**BTLI**	**Total**
Premium income	$ 23,627,599	30,846,612	54,474,211
Amortized reinsurance claims payment	-	51,069	51,069
Income on insurance product-separated account	-	144	144
Insurance business income	23,627,599	30,897,825	54,525,424
Reinsurance expense	-	109,924	109,924
Direct business expenses	-	459	459
Insurance claims payment	22,963,851	26,150,496	49,114,347
Disbursement toward industry stability	-	74,778	74,778
Disbursement on insurance product separated account	-	144	144
Insurance business expenses	22,963,851	26,335,801	49,299,652
Net income from insurance business	**$ 663,748**	**4,562,024**	**5,225,772**

	2020		
	BOT government employees' insurance department	**BTLI**	**Total**
Premium income	$ 23,623,153	44,841,484	68,464,637
Amortized reinsurance claims payment	-	54,466	54,466
Income on insurance product-separated account	-	(35)	(35)
Insurance business income	23,623,153	44,895,915	68,519,068
Reinsurance expense	-	149,332	149,332
Direct business expenses	-	642	642
Insurance claims payment	21,988,989	18,582,710	40,571,699
Disbursement toward industry stability	-	91,825	91,825
Disbursement on insurance product separated account	-	(35)	(35)
Insurance business expenses	21,988,989	18,824,474	40,813,463
Net income from insurance business	**$ 1,634,164**	**26,071,441**	**27,705,605**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The retained earned premium and retained benefits and claims paid were as follows:

(i) Retained earned premiums

	2021		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Direct written premium	$ 28,436,400	2,410,212	30,846,612
Less: Reinsurance premium ceded	109,924	-	109,924
Net change in unearned premium reserve	(14,329)	-	(14,329)
	95,595	-	95,595
Retained earned premium	**$ 28,340,805**	**2,410,212**	**30,751,017**

	2020		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Direct written premium	$ 44,005,846	835,638	44,841,484
Less: Reinsurance premium ceded	149,332	-	149,332
Net change in unearned premium reserve	5,613	-	5,613
	154,945	-	154,945
Retained earned premium	**$ 43,850,901**	**835,638**	**44,686,539**

(ii) Retained benefits and claims paid

	2021		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Claims payment incurred	$ 23,667,223	2,483,266	26,150,489
Reinsurance claims	7	-	7
Insurance claims payment	23,667,230	2,483,266	26,150,496
Less: Claims payment recovered from reinsures	51,069	-	51,069
Retained benefits and claims paid	**$ 23,616,161**	**2,483,266**	**26,099,427**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2020		
	Insurance Contract	**Financial products with discretionary participation feature**	**Total**
Claims payment incurred	$ 15,988,987	2,593,712	18,582,699
Reinsurance claims	11	-	11
Insurance claims payment	15,988,998	2,593,712	18,582,710
Less: Claims payment recovered from reinsures	54,466	-	54,466
Retained benefits and claims paid	$ **15,934,532**	**2,593,712**	**18,528,244**

(7) The Fair Value Information of Financial Instruments:

(a) The methods and assumptions used to estimate the fair value of financial instruments are as follows.

(i) For certain financial instruments, the Company and subsidiaries consider their carrying amounts measured at amortized cost to be a reasonable approximation of fair value. These financial instruments include cash and cash equivalents, placement with Central Bank and call loans to banks, bills and bonds purchased under resell agreements, notes receivables and other receivables, other financial liabilities, margin loans and stock loans, deposits of central bank and other banks, commercial paper payables, bills and bonds sold under repurchase agreements, payables, deposits, other borrowings and other financial liabilities.

(ii) For financial instruments measured at fair value through profit or loss, financial assets at fair value through other comprehensive income and hedging derivative financial assets, the fair value is based on quoted market price in an active market. If a quoted market price is not available, the fair value is determined based on valuation technique or quoted price from other financial institution.

(iii) For loans and discounts, negotiations, factoring receivables, credit card receivables, acceptance receivables, and overdue, the fair value is the balance after adjusting unamortized discount or premium and accumulated impairment loss.

(iv) Deposits and Remittances: The Company and subsidiaies consider the bank industries characteristic to decide the fair value. The deposits with market interest rate are almost those due within one year and their carrying amount 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’s reasonable using the carrying amount to estimate the fair value.

(v) Financial Bonds Payable: It refers to the convertible corporate bonds and financial bonds issued by the Company and subsidiaries. Their coupon rates are almost equal to the market interest rate, so it is reasonable to using the discounted present values of expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.

(vi) The fair value of the financial instruments is the attainable or payable amount if the contract is terminated at the reporting date. The fair value includes the unrealized gain (loss) of unexpired contracts. The derivatives are measured using the quoted price from financial institutions or valuation model.

(b) The fair value hierarchy of financial instruments

The Three-level Definition

(i) 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.

(ii) 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 and its subsidiary are classified as level 2.

(iii) Level 3

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

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(c) Fair value measurement

(i) The fair value hierarchy

The following tables present for each of the fair value hierarchy levels of the Company's and subsidiaries' assets and liabilities that are measured at fair value on a recurring basis.

Financial instruments measured at fair value	December 31, 2021 Total	Level 1	Level 2	Level 3
Non derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	$ 399,502,933	367,646,120	31,642,207	214,606
Designated at fair value through profit or loss	12,773,485	-	12,773,485	-
Bond investments	12,773,485	-	12,773,485	-
Mandatorily measured at fair value through profit or loss	386,729,448	367,646,120	18,868,722	214,606
Stock investments	192,365,796	192,151,190	-	214,606
Bond investments	20,234,596	1,365,874	18,868,722	-
Others	174,129,056	174,129,056	-	-
Financial assets at fair value through other comprehensive income	1,004,880,566	707,414,401	273,696,696	23,769,469
Stock investments	118,575,274	94,805,805	-	23,769,469
Bond investments	886,305,292	612,608,596	273,696,696	-
Liabilities:				
Financial liabilities designated at fair value through profit or loss	13,619,776	-	13,619,776	-
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	$ 4,705,516	59,514	4,646,002	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	5,849,647	-	5,849,647	-
Hedging Derivative Financial liabilities	16,241	-	16,241	-

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Financial instruments measured at fair value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Non derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	$ 350,641,146	318,112,640	32,326,198	202,308
Designated at fair value through profit or loss	19,029,575	-	19,029,575	-
Bond investments	19,029,575	-	19,029,575	-
Mandatorily measured at fair value through profit or loss	331,611,571	318,112,640	13,296,623	202,308
Stock investments	154,229,005	154,026,697	-	202,308
Bond investments	13,977,341	680,718	13,296,623	-
Others	163,405,225	163,405,225	-	-
Financial assets at fair value through other comprehensive income	999,234,437	746,683,685	228,392,122	24,158,630
Stock investments	98,199,262	74,040,632	-	24,158,630
Bond investments	901,035,175	672,643,053	228,392,122	-
Liabilities:				
Financial liabilities designated at fair value through profit or loss	14,564,305	-	14,564,305	-
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	$ 13,746,967	85,355	13,661,612	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	17,334,759	-	17,334,759	-
Hedging Derivative Financial liabilities	49,894	-	49,894	-

(ii) Valuation techniques

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, fair value measurement assumes that the transaction takes place in the principal (or most advantageous) market in which an orderly transaction would take place for the asset or liability, and assumes market participants would use the assumptions about pricing the asset or liability, and assumes market participants make decisions based on their own best interests.

Financial instruments are recognized initially at fair values. In many case, they usually refer 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, BOT uses the valuation techniques or refers to the quoted prices set by Bloomberg, Reuters or the Counterparties to determine the fair value.

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

When a quoted price of a financial instrument is timely available in a stock exchange or an 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 having 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 Company and subsidiaries refer to the present values, the discounted cash flow or the values calculated under other valuation methods of financial instruments with similar terms and characteristics, including the one calculated by a model which uses the available market data at the financial statement day as inputs. (i.e. the applicable yield curve of bonds traded in the Taipei exchange and average prices of commercial papers quoted on Reuters)

When measuring a financial instrument which no specific techniques can be applied to but do not create challenge in valuation, such as bonds traded in an inactive market, interest rate swap, FX swaps and options, the Company and subsidiaries adopt 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 Company and subsidiaries not only refer 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, BOT has to make proper estimates based on assumptions and judgments.

(iii) Fair value adjustment

1) Limitations of valuation models and inputs

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 Company and subsidiaries believe 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 Company's and subsidiaries' 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 Company and subsidiaries.

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 Company's and subsidiaries' delayed payment and default into fair value.

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

CVAs are calculated by considering 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 Company and subsidiaries refer 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 Company and subsidiaries may also use other alternative PD assumptions if data availability is limited. Moreover, the Company and subsidiaries also take 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 Company's and subsidiaries' creditworthiness.

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(iv) Reconciliation of Level 3 fair values

Reconciliation of Level 3 fair values in 2021 and 2020:

	Fair value through profit or loss	Fair value through other comprehensive income	
	Non derivative mandatorily measured at fair value through profit or loss (Unquoted equity instruments)	**Unquoted equity instruments**	**Total**
Opening balance, January 1, 2021	$ 202,308	24,158,630	24,360,938
Total gains and losses recognized:			
In profit or loss	12,298	-	12,298
In other comprehensive income	-	(389,161)	(389,161)
Ending Balance, December 31, 2021	**$ 214,606**	**23,769,469**	**23,984,075**
Opening balance, January 1, 2020	198,790	23,124,361	23,323,151
Total gains and losses recognized:			
In profit or loss	3,518	-	3,518
In other comprehensive income	-	1,024,248	1,024,248
Purchased	-	10,021	10,021
Ending Balance, December 31, 2020	**202,308**	**24,158,630**	**24,360,938**

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

The Company and subsidiaries consider the valuation techniques used by the Company and subsidiaries 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.

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.

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

the Company's and subsidiaries' 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 measured at fair value through other comprehensive income – equity investments which have no active market exists	Comparable company method (Market approach)	· P/E ratio · P/B ratio · EV/Operating revenue · EV/EBITDA · Linear Square Monte Carlo Simulation (LSM)	· Positive · Positive · Positive · Positive · Positive
	Income approach	· Cash dividend growth rate · Cash dividend payout ratio · discounted cash flow	· Positive · Positive · Negative
	The asset approach	· Fair value of asset · Fair value of liability	· Positive · Negative
	-	· Liquidity discount rate	· Negative

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 measured at fair value through other comprehensive income – equity investments which have no active market exists	Comparable company method (Market approach)	· P/E ratio · P/B ratio · EV/Operating revenue · EV/EBITDA · EV/Total assets · Liquidity discount rate	· Positive · Positive · Positive · Positive · Positive · Negative

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

(i) Fair value information

In addition to the following items, the Company's and subsidiaries' 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	490,346,734	501,138,316
Other financial assets – Debt investments without active market	19,924,750	19,924,750
December 31, 2020		
Financial assets:		
Financial assets measured at amortized cost	454,803,521	477,059,769
Other financial assets – Debt investments without active market	9,910,500	9,910,500

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(ii) Fair value hierarchy

Assets and liabilities item	December 31, 2021 Total	Quoted prices in active markets for identical asset (Level 1)	Significant other observable inputs (Level 2)	Significant observable inputs (Level 3)
Financial Assets:				
Financial assets measured at amortized cost	$ 501,138,316	242,334,533	258,803,783	-
Other financial assets – Debt investments without active market	19,924,750	19,924,750	-	-

Assets and liabilities item	December 31, 2020 Total	Quoted prices in active markets for identical asset (Level 1)	Significant other observable inputs (Level 2)	Significant observable inputs (Level 3)
Financial Assets:				
Financial assets measured at amortized cost	$ 477,059,769	218,234,018	258,825,751	-
Other financial assets – Debt investments without active market	9,910,500	9,910,500	-	-

(8) Financial Risk Management:

(a) Risk management structure

(i) The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

(ii) The Board has established the Risk Management Committee, which is responsible for developing and monitoring the risk management policies of the Company and subsidiaries to reduce risk exposure. The committee reports regularly to the Board of Directors on its activities.

(iii) Risk management department is an independent organization responsible for monitoring the Company's and subsidiaries' risk management practices, keeping track of the progress of the execution of revolutions made by the Board or the Committee and submitting the risk reports to the Board and the Committee regularly. If a significant risk exposure is identified, the Department shall take necessary action and report them to the Board and the Committee.

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(iv) The Board of each subsidiary is the highest organization to make decisions on major company issues. Their respective risk management committees and risk management departments are charged with monitoring risks.

(v) Each subsidiary is responsible for identify, evaluate, and control the risks of new products or business, set up related risk management guideline, and monitor the risk management to ensure the risk control of the company.

(vi) The risk management departments of the Company and subsidiaries should periodically report the risk control situation to the Board of Directors and Risk management committee to enable the Committee to assess the risk involved in the Company's business and how they are controlled and monitored by the management.

(b) Risk management strategies

The various risks resulted from the business no matter on/off the financial statements should be managed in order to optimize compliance and enhance the operating and development. Except for regulations requested by the competent authority, the Company and subsidiaries also set related risk management regulations as a guideline to ensure the risk control of various risks.

(i) The subsidiary, BOT

1) Overview

The Bank and its subsidiary's activities have exposed to various risks from financial instruments, which include 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:

a) Monitor the BIS Capital Adequacy Ratio in response to operation scale, credit risk, market risk, operational risk and the operating trades in the future.

b) Establish a systematic risk measure and control mechanism to measure, monitor and control every risk.

c) Manage every business risk considering the risk capacity, capital reserve, nature of debts and performance.

d) 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.

e) 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.

2) Risk management structure

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

a) 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.

b) Risk management committee under the Board of Directors is responsible for executing risk management policies and coordinating interdepartmental management of risk.

c) Risk management department is responsible for monitoring, tracing the execution status of risk management policies and submitting 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 them to the Board of Directors.

d) Other 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.

e) Other operational units shall comply with the regulations for risk management.

3) Credit Risk

a) Causes and definition of credit risk

Credit risk is the risk of financial loss to BOT 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 loanee and its counterparty), including:

i) Credit risk from a borrower/issuer refers to the risk that BOT may suffer from financial losses when the borrower/issuer is not able to meet its contractual obligations due to default, bankruptcy or liquidation.

ii) Credit risk form counterparties refers to the risk that BOT may suffer from financial losses when the counterparty is not able to settle the contracts or execute its repayments.

iii) Credit risk form underlying assets refers to the risk that BOT 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 or a downgrade of credit rating.

(Continued)

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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.

b) Identification and measurement of credit risk

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

Except that the local financial supervisory institutions have their own regulations, the overseas business units of the BOT shall conduct the credit ability of the loans and discounts, and recognized impairment in accordance with the "Operational Manual of Evaluating the Impairment of Loans and Receivables". The followings are the detailed information of how major businesses of BOT measures and manages credit risk.

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

1. Credit assets categories and post-loan management

BOT has established the "Operational Manual of Evaluating the Impairment of Loans and Receivables" and has classified the credit assets into five categories. Except for the normal credit assets that are classified at the first category, the other bad 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, BOT set the "Credit Review and Follow up Evaluations Provision" and "Warning Mechanism Provision" and evaluate and monitor the quality of credit assets regularly. Also, the BOT audits credit cases by sampling according to the ratings of the cases, conduct credit reviewing in the following month and checks significant credit cases periodically, to enhance the management of abnormal credit, and to achieve the purpose of warning and interim monitor.

2. Internal credit rating

When conducting credit review, BOT 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. In order to balances the credit risk and earnings target, they strengthen the market competitiveness of products strive for customer identification and broaden the business. The following are the credit process of corporate finance and consumer finance.

a. Corporate Finance

BOT sets up the terms and interest rate based on a borrowers' credit ratings, including the ones from external credit rating agencies and BOT's internal scorecards. The clients are classified into two types based on the scorecards, the large scale enterprise and the medium to small scale enterprise. Then BOT allocates the clients into 13 ratings according to their enterprise scale, financial and business status, business management and industry characteristic.

b. Consumer Finance

BOT 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. BOT will reject those below the lowest scores; the others are reviewed in accordance with related provisions.

ii) Due from banks and call loans to banks

BOT 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.

iii) Investment in debt instruments and derivative financial instruments

BOT 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 BOT's derivative contracts with its counterparties are financial institutions with good credit ratings. For those financial institutions whose ratings are not available, the BOT reviews the transactions individually. All the counterparties, including non-financial institutions, are managed based on their lines of credit (including loans at call).

(Continued)

c) Measurement of credit risk

i) Categories for credit risk quality

BOT internally categorizes 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:

1. 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.

2. 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.

3. 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.

4. Impaired risk: the counterparties or the target did not perform its obligation according to the contracts, and the potential estimated loss of the Company has reached the standard of impairment.

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

BOT determines 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, BOT considers the reasonable and supportable information (including forward looking information) which shows that the credit risk has increased significantly since initial recognition.

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

BOT's credit business scoring model and risk degree were as follows:

<table>
<tr><th>Risk degree</th><th>Corporate Finance IRB scoring model</th><th>Consumer Finance IRB application/ behavioral scoring model (including credit cards, excluding student loans)</th><th>Student Loans behavioral scoring model</th></tr>
<tr><td rowspan="4">Low</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>2</td><td>2</td><td rowspan="3">2</td></tr>
<tr><td>3</td><td rowspan="2">3</td></tr>
<tr><td>4</td></tr>
<tr><td rowspan="6">Moderate</td><td>5</td><td>4</td><td>3</td></tr>
<tr><td>6</td><td>5</td><td>4</td></tr>
<tr><td>7</td><td rowspan="4">6</td><td>5</td></tr>
<tr><td>8</td><td rowspan="3">6</td></tr>
<tr><td>9</td></tr>
<tr><td>10</td></tr>
<tr><td rowspan="4">High</td><td>11</td><td rowspan="4">7</td><td>7</td></tr>
<tr><td>12</td><td>8</td></tr>
<tr><td rowspan="2">13</td><td>9</td></tr>
<tr><td>10</td></tr>
</table>

a. Loans and Discounts and credit related receivables

BOT will determine if 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 one month but still within 3 months (there are additional 45 days for a borrower who does not have a credit account in BOT) ;

· The borrower's internal credit level is assessed as "Poor" under post loan review or alert.

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b. Receivable related ro credit cards business

BOT will determine if 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, or the borrower has used revolving credit facility without overdue, or overdue within 3 months, or non-conforming assets excluding assets previously determined as credit risk has increased significantly or credit impairment.

2. Debt investments and placement with central bank and call loans to banks

BOT follows 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:

<table>
<tr><th>STAGE 1
(credit risk has not significantly increased)</th><th>STAGE 2
(credit risk has significantly increased)</th><th>STAGE 3
(credit has been impaired)</th></tr>
<tr><td>1. The credit rating of a counterparty is higher than Moody's A3, S&P's A , Fitch's A or Taiwan Ratings' twA at the reporting date. (Note)</td><td rowspan="3">Not assessed as Stage 1, but the credit of counterparty is not actually impaired.</td><td rowspan="3">Not assessed as Stage 1, but the credit of counterparty has been impaired.</td></tr>
<tr><td>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.</td></tr>
<tr><td>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.</td></tr>
</table>

Note: If the credit risk of the credit assets is low, BOT 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.

iii) Definitions for default and credit impairment of financial assets

BOT uses the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, BOT determines that the financial assets have been defaulted and credit impaired:

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

   a. Loans and discounts and credit related receivables

      i. Quantitative indicators

         · The borrower's principals or interests have been overdue than 3 months.

         · The borrower's internal rating is assessed as the lowest.

      ii. 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 BOT due to significant and unfavorable events;

         · The borrower is under debt negotiation.

   b. 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.

2. Debt investments and placement with central bank and call loans to banks

   a. 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.

   b. 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 BOT 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.

iv) Write off policy

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

1. 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.

2. 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 BOT might collect from the debtors where there is no financial benefit in execution.

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3. 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 BOT's taking possession of such collateral.

4. 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.

v) 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 BOT's policy (Please see note 4(f)).

If the amendments do not lead to a de-recognition, BOT 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.

BOT assesses 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 BOT'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.

BOT will periodically review changes of credit risk after amendments in accordance with related policy.

vi) Expected credit loss measurement

1. Adopted methods and assumptions

For BOT, 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, BOT adopts 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.

(Continued)

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 BOT, 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 after adjusting historical data.

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

The estimation techniques or material assumptions made by BOT to assess expected credit losses have no significant changes both in 2021 and 2020.

2. Forward looking information considerations

BOT takes 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.

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

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

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

BOT evaluates 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.

i. When the issuer' s credit rating outlook is " Negative" or credit rating observation is "-", the BOT uses the average of the long-term PD and one level reducted PD.

ii. Otherwise, the PD will remain unchanged.

(Continued)

d) Management of maximum exposure to credit risk and excessive risk concentration

i) In accordance with the Banking Law, there is a credit limitation management for the Company's and subsidiaries' person in charge, employees, and any interested party. In respect to credit intensity, BOT provides credit and investment quota rules for the same enterprise, and industry. BOT also limits and manages the credit amount for enterprises, groups and every industry.

ii) BOT’ 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.

iii) To spread the country risks, BOT 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, transaction assets (i.e. due and call loans, investment securities, derivatives, and foreign exchanges).

e) Policies of credit risk deduction

i) Collateral

BOT 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, BOT established policies governing the scope of collateral and related procedures to secure debts. Moreover, BOT 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 BOT can cut and the grace periods the banks 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, BOT 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 (i.e., certificates of deposit; various bonds, stocks) or other rights, guarantees provided by the government agencies, banks, or credit guarantee institutions authorized by the government, and any other guarantees or collaterals approved by BOT.

ii) Master netting agreement

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

iii) Other credits enhancement

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

f) The maximum credit exposure to the credit risk of financial assets (without considering the allowance for bad debt, collaterals and guarantees)

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

	Discounts and loans				
	December 31, 2021				
	12 month ECLs	Lifetime ECLs －not impaired	Lifetime ECLs －impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Low	$ 1,001,653,069	5,199	123,921	-	1,001,782,189
Medium	914,244,868	232,836,705	2,829,680	-	1,149,911,253
High	25,252,496	36,154,175	4,756,869	-	66,163,540
Others	761,605,227	621,104	5,114,754	-	767,341,085
Gross carrying amount	2,702,755,660	269,617,183	12,825,224	-	2,985,198,067
Allowance for bad debts	(21,375,671)	(2,238,665)	(2,915,829)	-	(26,530,165)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(18,218,415)	(18,218,415)
Total	$ 2,681,379,989	267,378,518	9,909,395	(18,218,415)	2,940,449,487

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Discounts and loans				
	December 31, 2020				
	12 month ECLs	Lifetime ECLs －not impaired	Lifetime ECLs －impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Low	$ 1,000,957,806	15,376	225,668	-	1,001,198,850
Medium	899,667,463	128,571,215	2,595,166	-	1,030,833,844
High	23,794,713	32,392,491	5,671,606	-	61,858,810
Others	808,655,559	471,476	10,851,884	-	819,978,919
Gross carrying amount	2,733,075,541	161,450,558	19,344,324	-	2,913,870,423
Allowance for bad debts	(21,310,143)	(1,721,279)	(4,748,114)	-	(27,779,536)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(16,886,367)	(16,886,367)
Total	$ 2,711,765,398	159,729,279	14,596,210	(16,886,367)	2,869,204,520

	Debt instruments measured at fair value through other comprehensive income				
	December 31, 2021				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－ impaired	Valuation adjustment	Total
Credit rating					
Aaa~Baa3	$ 885,519,894	-	-	-	885,519,894
Ba1~Ba3	526,247	419,940	-	-	946,187
Gross carrying amount	886,046,141	419,940	-	-	886,466,081
Allowance for impairment	(91,585)	(7,628)	-	-	(99,213)
Valuation adjustment				(2,460,043)	(2,460,043)
Total	$ 885,954,556	412,312	-	(2,460,043)	883,906,825

	Debt instruments measured at fair value through other comprehensive income				
	December 31, 2020				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－ impaired	Valuation adjustment	Total
Credit rating					
Aaa~Baa3	$ 894,207,996	-	-	-	894,207,996
Ba1~Ba3	1,249,996	545,820	-	-	1,795,816
Gross carrying amount	895,457,992	545,820	-	-	896,003,812
Allowance for impairment	(100,415)	(19,353)	-	-	(119,768)
Valuation adjustment				2,661,929	2,661,929
Total	$ 895,357,577	526,467	-	2,661,929	898,545,973

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Debt instruments measured at amortized cost December 31, 2021			
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Total
Credit rating				
Aaa~Baa3	$ 151,428,922	-	-	151,428,922
Ba1~Ba3	13,539,630	-	-	13,539,630
Gross carrying amount	164,968,552	-	-	164,968,552
Accumulated impairment	(38,978)	-	-	(38,978)
Total	**$ 164,929,574**	**-**	**-**	**164,929,574**

	Debt instruments measured at amortized cost December 31, 2020			
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Total
Credit rating				
Aaa~Baa3	$ 143,270,874	-	-	143,270,874
Ba1~Ba3	12,862,291	-	-	12,862,291
Gross carrying amount	156,133,165	-	-	156,133,165
Accumulated impairment	(40,113)	-	-	(40,113)
Total	**$ 156,093,052**	**-**	**-**	**156,093,052**

	Letter of Credit Receivables and Guarantee for Trade Receivables December 31, 2021				
	12 month ECLs	Lifetime ECLs －not impaired	Lifetime ECLs －impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Low	$ 77,055,537	-	-	-	77,055,537
Medium	42,110,424	2,810,405	85,243	-	45,006,072
High	230,888	75,828	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 Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(958,799)	(958,799)
Total	**$ 129,768,294**	**3,217,923**	**78,431**	**(958,799)**	**132,105,849**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Letter of Credit Receivables and Guarantee for Trade Receivables				
	December 31, 2020				
	12 month ECLs	Lifetime ECLs －not impaired	Lifetime ECLs －impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Low	$ 67,519,965	-	-	-	67,519,965
Medium	56,425,352	3,107,384	885,353	-	60,418,089
High	85,177	464,112	59,054	-	608,343
Others	10,794,870	428,643	1	-	11,223,514
Gross carrying amount	134,825,364	4,000,139	944,408	-	139,769,911
Allowance for bad debts(Guarantee reserve and other reserve)	(425,959)	(66,713)	(62,802)	-	(555,474)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(848,754)	(848,754)
Total	$ 134,399,405	3,933,426	881,606	(848,754)	138,365,683

	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	$ 6,414,418	-	-	6,414,418
Others	154,476,005	203,568	777	154,680,350
Gross carrying amount	160,890,423	203,568	777	161,094,768
Allowance for bad debts (Loan commitments reserve)	(14,385)	(1,474)	(420)	(16,279)
Total	$ 160,876,038	202,094	357	161,078,489

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Accounts Receivable(including other financial assets) December 31, 2021				
	12 month ECLs	Lifetime ECLs －not impaired	Lifetime ECLs －impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Aaa~Baa3	$ 4,757,720	-	-	-	4,757,720
Ba1~Caa1	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 Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(78,915)	(78,915)
Total	$ 80,265,689	406,280	52,849	(78,915)	80,645,903

Note 1: The gross carrying amount of the table was not included BOT's restrictive deposit $16,884 thousand, other tax refund receivables $10 thousand and Department of Government Employees' Insurance's accounts receivable $8,280,931 thousand evaluated by simplification method.

Note 2: The allowance for bad debts of the table were not included BOT's accumulated impairment recognized in restrictive deposit $8 thousand and Department of Government Employees' Insurance's allowance for impairment $5 thousand evaluated by simplification method.

	Accounts Receivable(including other financial assets) December 31, 2020				
	12 month ECLs	Lifetime ECLs －not impaired	Lifetime ECLs －impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Aaa~Baa3	$ 6,148,231	-	-	-	6,148,231
Ba1~Caa1	31,459	4,374	77	-	35,910
Others	76,161,851	483,778	134,543	-	76,780,172
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)	(77,065)	-	(121,262)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(49,852)	(49,852)
Total	$ 82,304,230	481,266	57,555	(49,852)	82,793,199

Note 1: The gross carrying amount of the table was not included BOT's restrictive deposit $19,129 thousand and Department of Government Employees' Insurance's accounts receivable $8,407,922 thousand evaluated by simplification method.

Note 2: The allowance for bad debts of the table were not included BOT's accumulated impairment recognized in restrictive deposit $10 thousand and Department of Government Employees' Insurance's allowance for impairment $11 thousand evaluated by simplification method.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) 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:

Units: In million of TWD

December 31, 2021	Collateral	General agreement of net amount settlement	Enhancement of other credits	Total
In balance sheet:				
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	$ 1,493,522	8	1,883,360	3,376,890

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

The Management believes that the reason why the BOT 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.

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii) BOT 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 was not included)**	**Exposure amount (Amortized 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	**$ 12,954,368**	**2,992,124**	**9,962,244**	**7,772,485**

	December 31, 2020			
	Gross carrying amount	**Allowance for impairment (Legal reserves was not included)**	**Exposure amount (Amortized cost)**	**Fair value of collateral**
Impaired financial assets:				
Receivables				
Credit card business	$ 5,972	4,501	1,471	-
Others	128,648	72,564	56,084	-
Loans and discounts	19,344,324	4,748,114	14,596,210	12,895,755
Total amount of impaired financial assets	**$ 19,478,944**	**4,825,179**	**14,653,765**	**12,895,755**

iv) Financial assets not applicable for rules of impairment:

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

g) Concentration of credit risk

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

The credit risk of BOT 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:

i) Industry

Unit: In million of TWD; %

Industry type	December 31, 2021 Book Value (Note 1)	%	December 31, 2020 Book Value (Note 2)	%
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	**$ 4,441,917**	**100.00 %**	**4,327,025**	**100.00 %**

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, short-term secured loans, medium-term loans, medium-term secured loans, long-term 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 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 excluded the Department of Government Employees Insurance and the subsidiary, BankTaiwan 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, 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 excluded the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

ii) Region

Unit: In million of TWD; %

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

(Continued)

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, short-term secured loans, medium-term loans, medium-term secured loans, long-term 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 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 excluded the Department of Government Employees Insurance and the subsidiary, BankTaiwan 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, 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 excluded the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

iii) Collateral

Unit: In million of TWD; %

Type of collateral	December 31, 2021 Book Value (Note 1)	%	December 31, 2020 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 excluded the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

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TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

h) BOT Changes in loss allowance

i) Changes in loss allowance of discounts and loans

1. As of December 31, 2021 and 2020, the changes 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/Nonaccrual Loans	Total
Beginning balance	$ 21,310,143	1,721,279	4,748,114	27,779,536	16,886,367	44,665,903
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	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	44,748,580

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	$ 21,113,435	1,606,276	7,150,936	29,870,647	15,272,836	45,143,483
Changes due to financial instruments recognized as at beginning:						
－Transfer to lifetime ECL not credit impaired	(159,475)	224,808	(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	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)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. 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 form the amendments not leading to derecognition	-	-	4,290	4,290
Foreign exchange and 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)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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 form the amendments not leading to derecognition	-	-	(575)	(575)
Foreign exchange and other movements	1,154,042	(37,606)	(5,187,309)	(4,070,873)
Ending balance	**$ 2,733,075,541**	**161,450,558**	**19,344,324**	**2,913,870,423**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Changes in loss allowance of debt instruments measured at fair value through other comprehensive income

1. As of December 31, 2021 and 2020, the changes 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	**$ 91,585**	**7,628**	**-**	**99,213**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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 ECL not credit impaired	(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	**$ 100,415**	**19,353**	**-**	**119,768**

(Continued)

2. 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	**$ 886,046,141**	**419,940**	**-**	**886,466,081**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	$ 915,889,512	302,385	-	916,191,897
－Transfer to lifetime ECL not credit impaired	(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	**$ 895,457,992**	**545,820**	**-**	**896,003,812**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

1. As of December 31, 2021 and 2020, the changes 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	**$ 38,978**	**-**	**-**	**38,978**

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	**$ 40,113**	**-**	**-**	**40,113**

2. 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	**$ 164,968,552**	**-**	**-**	**164,968,552**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	**$ 156,133,165**	**-**	**-**	**156,133,165**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

iv) Changes in guarantee reserve and other reserve

1. As of December 31, 2021 and 2020, the changes 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 the 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	$ 302,018	19,255	51,902	373,175	958,799	1,331,974

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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 the 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)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. 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**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	**$ 134,825,364**	**4,000,139**	**944,408**	**139,769,911**

(Continued)

v) Changes in loan commitments reserve

1. As of December 31, 2021 and 2020, the changes 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	**$ 4,964**	**534**	**176**	**5,674**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	**$ 14,385**	**1,474**	**420**	**16,279**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. 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	**$ 252,637,425**	**195,051**	**427**	**252,832,903**

	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	**$ 160,890,423**	**203,568**	**777**	**161,094,768**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

1. As of December 31, 2021 and 2020, the changes 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 the 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: Not included BOT’s accumulated impairment recognized in restrictive deposit $10 thousand and Department of Government Employees’ Insurance’s allowance for impairment $11 thousand evaluated by simplification method.

Note 2: Not included BOT’s accumulated impairment recognized in restrictive deposit $8 thousand and Department of Government Employees’ Insurance’s allowance for impairment $5 thousand evaluated by simplification method.

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TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

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 the 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: Not included BOT's accumulated impairment recognized in restrictive deposit $10 thousand and Department of Government Employees' Insurance's allowance for impairment $13 thousand evaluated by simplification method.

Note 2: Not included BOT's accumulated impairment recognized in restrictive deposit $10 thousand and Department of Government Employees' Insurance's allowance for impairment $11 thousand evaluated by simplification method.

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TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. 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)	**$ 80,329,700**	**409,134**	**129,144**	**80,867,978**

Note 1: Not included BOT's gross carrying amount of restricted deposit $19,129 thousand and Department of Government Employees' Insurance's accounts receivables $8,407,922 thousand evaluated by simplification method.

Note 2: Not included BOT's gross carrying amount of restricted deposit $16,884 thousand, other tax refund receivables $10 thousand and Department of Government Employees' Insurance's accounts receivables $8,280,931 thousand evaluated by simplification method.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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)	**$ 82,341,541**	**488,152**	**134,620**	**82,964,313**

Note 1: Not included BOT’s gross carrying amount of restricted deposit $19,380 thousand and Department of Government Employees’ Insurance’s accounts receivables $7,736,495 thousand evaluated by simplification method.

Note 2: Not included BOT’s gross carrying amount of restricted deposit $19,129 thousand and Department of Government Employees’ Insurance’s accounts receivables $8,407,922 thousand evaluated by simplification method.

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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). 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 are 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
	$ 8,280,931		**5**

	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
	$ 8,407,922		**11**

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)
Beginning balance	**$ 5**	**11**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

i) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

i) Asset Quality of overdue loans and receivables

December 31, 2021

Type / Item			Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt	Coverage ratio (%) (Note 4)
Enterprise	Secured		1,009,205	603,909,974	0.17 %	10,653,764	1,055.66 %
	Non secured		275,327	1,290,449,248	0.02 %	20,894,806	7,589.09 %
Consumer finance	House mortgage (Note 5)		1,039,165	845,471,175	0.12 %	9,695,745	933.03 %
	Cash card		-	-	- %	-	- %
	Micro credit (Note 6)		17,187	4,917,606	0.35 %	110,427	642.50 %
	Others (Note 7)	Secured	931,748	213,297,509	0.44 %	2,950,149	316.63 %
		Non secured	104,000	27,152,555	0.38 %	443,689	426.62 %
Total loan business			3,376,632	2,985,198,067	0.11 %	44,748,580	1,325.24 %
			Overdue receivables	**Account receivable**	**Ratio (%)**	**Allowance for bad debt**	**Cover ratio**
Credit card business			789	935,767	0.08 %	10,191	1,291.34 %
Non-recourse factoring (Note 8)			-	11,939,078	- %	81,435	- %

December 31, 2020

Type / Item			Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt	Coverage ratio (%) (Note 4)
Enterprise	Secured		1,395,397	624,245,704	0.22 %	10,721,105	768.32 %
	Non secured		767,012	1,287,152,232	0.06 %	21,566,562	2,811.76 %
Consumer finance	House mortgage (Note 5)		1,250,192	753,033,939	0.17 %	8,626,906	690.05 %
	Cash card		-	-	- %	-	- %
	Micro credit (Note 6)		16,296	4,896,622	0.33 %	113,811	698.40 %
	Others (Note 7)	Secured	913,134	216,588,331	0.42 %	3,142,790	344.18 %
		Non secured	136,831	27,957,886	0.49 %	494,729	361.56 %
Total loan business			4,478,862	2,913,874,714	0.15 %	44,665,903	997.26 %
			Overdue receivables	**Account receivable**	**Ratio (%)**	**Allowance for bad debt**	**Cover ratio**
Credit card business			911	880,911	0.10 %	9,480	1,040.56 %
Non-recourse factoring (Note 8)			-	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 Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: The discount and premium adjustment was not included in total amount of loans.

Note 3: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance. Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 4: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans. Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 5: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 6: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 7: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgages, cash cards, credit cards and small-scale credit loans.

Note 8: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), factored accounts receivable without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) Non performing Loans and Overdue Receivables Exempted from Reporting

	December 31, 2021		December 31, 2020	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement	69	-	130	-
As a result of debt solvency and restart plan	9,691	17,031	10,641	18,116
Total	9,760	17,031	10,771	18,116

iii) Concentration of Credit Risk

Units: In Millions of NTD, %

December 31, 2021			
Rank	Group Name	Credit Extensions Balance	% of Net Asset Value
1	A company－Transport via Railways	47,542	11.82 %
2	B group－Air Transportation	42,806	10.64 %
3	C group－Air Transportation	23,862	5.93 %
4	D group－Smelting and Refining of Iron and steel	23,612	5.87 %
5	E group－Ocean Transportation	21,704	5.40 %
6	F group－Manufacture of Made-up Textile Articles	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)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020			
Rank	**Group Name**	**Credit Extensions Balance**	**% of Net Asset Value**
1	A company－Transport via Railways	50,716	13.24 %
2	B group－Air Transportation	55,414	14.46 %
3	C group－Ocean Transportation	31,307	8.17 %
4	D group－Air Transportation	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 %

iv) 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 (%)**
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 total 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 from 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
Demand savings	1,173,347,839	0.36	1,046,326,287	0.39
Time savings	1,444,552,161	1.09	1,554,787,720	1.30
Time deposits	664,599,806	0.55	667,891,086	1.18
Government deposits	335,558,981	0.08	314,278,755	0.12
Structured products	806,617	0.98	1,208,970	1.52
Financial bonds	25,347,945	1.00	25,000,000	1.08

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

Note 2: The average interest rate is calculated by respectively summing up the interest revenue and interest expense from January to the financial statement date and then dividing the amount of average.

4) Liquidity Risk

a) Causes and definition of liquidity risk

The definition for liquidity risk is BOT 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, interest floating policy holder terminates the policy ahead of time 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.

b) Management policies of liquidity risk

i) To optimize the structure of assets and liabilities, BOT sets 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, interest rate risk, and to review the structure of deposits and loans and so on.

ii) To enforce the management of liquidity and interest rate risk and maintain suitable liquidity for higher effectiveness of capital and good operations, BOT sets up policies for liquidity and interest rate risk. Assets and Liabilities Management Committee conducts necessary monitoring. Risk Management Department prepares risk-monitoring reports periodically and reports to Risk Management Committee and then the Board of Directors.

iii) Management of liquidity risk

1. Maintain liquidity reserve ratio: According to "Liquidity Guidelines for Financial Institutions" published by the Center Bank, BOT has to maintain the liquidity reserve ratio of deposit balances greater than 15%.

2. Short term gap analysis: Calculate 1~10 day and 11~30 day gaps which should be greater than zero.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3. 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 the FSC and Central Bank, the ratio shall be higher than 100%.

4. 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%.

5. Foreign currency gap management: Make sure the ratio of accumulated capital liquidity gap to each currency assets of the major foreign currencies of BOT measured for every month and every term under one year between ±50% and ±40%.

6. 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 NTD fund management, the Bank maintains appropriate cash and cashable securities on hand, draw up notice about NTD fund management and request every unit to notify 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.

7. Establish " Bank of Taiwan operational crisis management plan" to prevent and response quickly to the crisis.

c) Maturity date analysis of non derivative financial assets and liabilities

These tables represent the cash outflow analysis of non derivative financial liabilities of BOT' 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 do not include BankTaiwan Insurance Brokers.

Maturity analysis of assets and liabilities (United State Dollars)

Unit: In thousand USD

December 31, 2021	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	776,515	5,000	10,000	14,550	643	806,708
Call loans to banks and overdrafts	2,653,500	2,640,000	899,500	692,000	-	6,885,000
Investment securities	83,887	71,038	89,344	122,889	2,859,977	3,227,135
Loans (including overdue loans)	1,109,888	533,822	363,536	383,148	3,064,424	5,454,818
Interest receivables and income receivables	10,346	12,434	3,893	954	17,860	45,487
Other expired items	9,928,405	8,368,713	4,819,542	6,447,337	2,773,387	32,337,384
Total major matured capital inflow	14,562,541	11,631,007	6,185,815	7,660,878	8,716,291	48,756,532

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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December 31, 2021	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	1,791,675	265,000	15,000	-	-	2,071,675
Demand deposits	1,343,194	1,799,341	2,699,011	-	1,371,924	7,213,470
Time deposits	2,787,889	4,188,015	2,922,660	3,021,871	1	12,920,436
Borrowings	-	-	-	-	600,000	600,000
Interest payables	5,673	8,186	3,830	1,791	69,756	89,236
Loan Commitments	141,843	341,705	199,402	346,730	485,652	1,515,332
Equities	-	-	-	-	(105,631)	(105,631)
Other expired items	7,160,609	3,897,712	2,816,389	2,318,743	9,128,135	25,321,588
Total major matured capital outflow	13,230,883	10,499,959	8,656,292	5,689,135	11,549,837	49,626,106

Maturity analysis of assets and liabilities (New Taiwan Dollars)

Unit: In thousand NTD

December 31, 2021	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	46,217,499	204,637,574	71,682,944	68,767,858	52,313,450	443,619,325
Call loans to banks and overdrafts	5,000	10,000	-	-	-	15,000
Investment securities	567,363,665	52,510,096	45,543,488	55,939,819	550,250,410	1,271,607,478
Loans (including overdue loans)	171,320,024	240,867,275	230,975,237	480,816,494	1,668,615,042	2,792,594,072
Interest receivables and income receivables	3,397,211	1,949,431	1,409,840	1,033,661	169,874	7,960,017
Other expired items	175,251,609	79,934,118	57,186,590	69,136,245	303,207,283	684,715,845
Total major matured capital inflow	963,555,008	579,908,494	406,798,099	675,694,077	2,574,556,059	5,200,511,737

December 31, 2021	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	185,096,352	5,767,820	8,166,007	20,173,282	8,712,566	227,916,027
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	158,059,339	1,639,318,852
Bills and bonds sold under repurchase agreements	787,663	623,238	774,014	-	-	2,184,915
Borrowings	32,575,205	1,631	1,841	2,168	26,001,514	58,582,359
Interest payables	3,638,158	567,350	1,100,027	579,186	293,785	6,178,506
Loan Commitments	85,773,786	171,547,571	257,321,356	514,642,713	686,190,283	1,715,475,709
Equities	-	-	-	-	403,052,939	403,052,939
Other expired items	161,486,304	175,875,936	114,204,390	141,503,390	182,303,693	775,373,713
Total major matured capital outflow	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)

Unit: In thousand USD

December 31, 2020	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	649,039	43,550	16,550	11,550	235	720,924
Call loans to banks and overdrafts	1,665,000	2,099,500	663,000	466,000	-	4,893,500
Investment securities	50,870	156,209	207,351	245,115	2,117,674	2,777,219
Loans (including overdue loans)	1,071,973	386,606	368,622	691,592	3,347,536	5,866,329
Interest receivables and income receivables	8,972	10,936	5,612	1,212	18,823	45,555
Other expired items	10,787,797	8,809,923	3,085,572	4,927,100	4,695,331	32,305,723
Total major matured capital inflow	14,233,651	11,506,724	4,346,707	6,342,569	10,179,599	46,609,250

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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December 31, 2020	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	3,507,512	669,000	30,000	-	-	4,206,512
Demand deposits	1,192,451	1,492,902	2,239,352	-	1,146,345	6,071,050
Time deposits	3,191,428	3,189,924	2,294,969	3,226,778	25	11,903,124
Borrowings	-	-	-	-	600,000	600,000
Interest payables	16,010	15,935	6,846	2,363	40,456	81,610
Loan Commitments	119,772	116,432	240,224	370,385	490,965	1,337,778
Equities	-	-	-	-	(10,328)	(10,328)
Other expired items	3,966,245	5,873,037	1,944,822	2,767,931	8,534,943	23,086,978
Total major matured capital outflow	11,993,418	11,357,230	6,756,213	6,367,457	10,802,406	47,276,724

Maturity analysis of assets and liabilities (New Taiwan Dollars)

Unit: In thousand NTD

December 31, 2020	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	70,677,167	206,382,844	73,806,749	70,376,742	46,162,910	467,406,412
Call loans to banks and overdrafts	705,000	10,000	-	-	-	715,000
Investment securities	656,981,820	57,273,286	74,730,426	203,126,898	257,519,307	1,249,631,737
Loans (including overdue loans)	224,887,312	249,983,315	261,184,099	415,266,191	1,547,696,191	2,699,017,108
Interest receivables and income receivables	3,400,518	2,436,309	1,530,815	1,299,624	93,706	8,760,972
Other expired items	87,844,413	149,517,745	42,295,956	113,281,990	272,331,539	665,271,643
Total major matured capital inflow	1,044,496,230	665,603,499	453,548,045	803,351,445	2,123,803,653	5,090,802,872

December 31, 2020	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	90,804,900	5,487,873	8,221,475	15,548,087	6,289,463	126,351,798
Demand deposits	64,588,026	47,330,378	44,425,626	60,316,331	1,492,017,559	1,708,677,920
Time deposits	358,793,424	243,879,116	292,614,371	727,865,082	140,291,962	1,763,443,955
Bills and bonds sold under repurchase agreements	1,301,008	1,905,146	1,275,737	-	-	4,481,891
Borrowings	12,196,425	2,562	2,892	3,405	25,002,379	37,207,663
Interest payables	4,564,277	598,344	1,247,997	628,495	307,725	7,346,838
Loan Commitments	78,778,890	157,403,615	236,182,505	472,365,010	596,931,239	1,541,661,259
Equities	-	-	-	-	381,326,311	381,326,311
Other expired items	250,679,316	216,387,444	81,886,484	139,638,886	132,159,141	820,751,271
Total major matured capital outflow	861,706,266	672,994,478	665,857,087	1,416,365,296	2,774,325,779	6,391,248,906

d) Maturity analysis of derivatives

Unit: In thousand NTD

December 31, 2021 Derivative financial instruments	Overdue less than 1 month	Overdue 1 to 3 months	Overdue 3 to 6 months	Overdue 6 months to 1 year	Overdue 1 to 5 years	Overdue more than 5 years	Total
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)							
Foreign exchange outflow	12,647,047	10,067,762	1,984,353	300,690	94,316	-	25,094,168
Foreign exchange inflow	12,646,624	10,067,762	2,012,629	245,692	94,316	-	25,067,023
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Interest)							
Interest outflow	306,972,304	259,891,880	171,641,520	162,921,134	17,699,254	-	919,126,092
Interest inflow	275,479,819	224,163,896	136,322,719	174,247,279	17,846,019	-	828,059,732
Hedging derivative financial instruments (Interest)							
Interest outflow	-	9,266	8,039	-	-	-	17,305
Interest inflow	-	3,367	2,709	-	-	-	6,076

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Unit: In thousand NTD

December 31, 2020 Derivative financial instruments	Overdue less than 1 month	Overdue 1 to 3 months	Overdue 3 to 6 months	Overdue 6 months to 1 year	Overdue 1 to 5 years	Overdue more than 5 years	Total
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)							
Foreign exchange outflow	15,166,530	11,634,833	2,094,399	634,673	16,377	-	29,546,812
Foreign exchange inflow	15,244,908	11,730,220	2,094,399	634,673	16,377	-	29,720,577
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Interest)							
Interest outflow	258,485,962	365,676,449	125,133,665	195,775,581	217,884	21,075,000	966,364,541
Interest inflow	239,688,766	336,478,392	106,498,712	191,491,978	603,955	4,346,859	879,108,662
Hedging derivative financial instruments (Interest)							
Interest outflow	-	9,444	18,024	-	-	-	27,468
Interest inflow	-	3,884	8,382	-	-	-	12,266

e) Maturity analysis of off balance sheet items

If the off balance credit items of BOT 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 NTD

December 31, 2021	0-30 days	31-90 days	91-180days	181 days-1 year	Over 1 year	Total
Irrevocable loan commitment	43,378,165	5,159,260	-	112,500,000	91,600,000	252,637,425
Irrevocable credit card commitment	7,360	1,872	8,158	22,918	155,172	195,480
Letter of credit receivables	19,925,505	3,271,816	5,985,655	12,846,776	4,401,824	46,431,576
Guarantee receivables	44,483,884	3,009,344	4,653,437	6,818,960	28,040,622	87,006,247
Total	107,794,914	11,442,292	10,647,250	132,188,654	124,197,618	386,270,728

Unit: In thousand NTD

December 31, 2020	0-30 days	31-90 days	91-180days	181 days-1 year	Over 1 year	Total
Irrevocable loan commitment	1,000,000	147,829,055	-	3,580,000	8,481,368	160,890,423
Irrevocable credit card commitment	10,124	227	2,154	6,516	185,326	204,347
Letter of credit receivables	20,880,799	1,883,170	7,136,617	11,194,802	1,714,330	42,809,718
Guarantee receivables	54,225,850	7,974,770	5,943,350	8,618,925	20,197,296	96,960,191
Total	76,116,773	157,687,222	13,082,121	23,400,243	30,578,320	300,864,679

f) Maturity analysis of lease agreements and capital expenditures

Maturity analysis of lease agreements of BOT and capital expenditures was as follows:

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

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

g) Disclosures requested by the "Regulations Governing the Preparation of Financial Reports by Publicly Banks"

i) Maturity analysis of assets and liabilities (New Taiwan Dollars) (excluding BankTaiwan Insurance Brokers)

December 31, 2021

Units: In Thousands of NTD

	Total	Amount for each remaining period to maturity					
		Less than 10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Major matured capital inflow	$ 5,200,511,737	437,677,304	525,877,704	579,908,494	406,798,099	675,694,077	2,574,556,059
Major matured capital outflow	6,652,728,309	402,381,140	364,647,381	621,108,782	703,897,137	1,474,517,482	3,086,176,387
Capital gap	(1,452,216,572)	35,296,164	161,230,323	(41,200,288)	(297,099,038)	(798,823,405)	(511,620,328)

December 31, 2020

Units: In Thousands of NTD

	Total	Amount for each remaining period to maturity					
		Less than 10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Major matured capital inflow	$ 5,090,802,872	526,085,674	518,410,556	665,603,499	453,548,045	803,351,445	2,123,803,653
Major matured capital outflow	6,391,248,906	472,735,095	388,971,171	672,994,478	665,857,087	1,416,365,296	2,774,325,779
Capital gap	(1,300,446,034)	53,350,579	129,439,385	(7,390,979)	(212,309,042)	(613,013,851)	(650,522,126)

ii) Maturity analysis of assets and liabilities (United State Dollars) (excluding BankTaiwan Insurance Brokers)

December 31, 2021

Unit: In Thousand of USD

	Total	Amount for each remaining period to maturity				
		Less than 30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Major matured capital inflow	$ 48,756,532	14,562,541	11,631,007	6,185,815	7,660,878	8,716,291
Major matured capital outflow	49,626,106	13,230,883	10,499,959	8,656,292	5,689,135	11,549,837
Capital gap	(869,574)	1,331,658	1,131,048	(2,470,477)	1,971,743	(2,833,546)

December 31, 2020

Unit: In Thousand of USD

	Total	Amount for each remaining period to maturity				
		Less than 30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Major matured capital inflow	$ 46,609,250	14,233,651	11,506,724	4,346,707	6,342,569	10,179,599
Major matured capital outflow	47,276,724	11,993,418	11,357,230	6,756,213	6,367,457	10,802,406
Capital gap	(667,474)	2,240,233	149,494	(2,409,506)	(24,888)	(622,807)

5) Market risk

a) Causes and definition of market risk

Market risk means that changes in market price 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, BOT' s net operating income and the value of investment portfolio will have volatility risk.

The main market risks of BOT are 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.

b) Management policies of market risk

BOT 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. BOT decides 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.

c) Procedure of market risk management

i) Identification

The identification procedures are as follows. First, use the business analysis or product analysis to identity the market risk factors of financial instruments. Second, measure the market risk of all financial instruments according to the risk factors changes of the important exposure. Finally, identify the market risk factors of every constitution of structured products and use the factors as the measurement basis. The above risk factors include interest rate, exchange rate and price of equity security.

ii) Evaluation and measurement

BOT'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, BOT 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 BOT obtains inputs largely remain the same as prior periods and BOT will check if a financial instrument can be reasonably measured before entering into a transaction.

iii) Monitor and Report

BOT conducts various risks monitoring for ordinary trading activities, prepares risk monitoring reports and reports it to the Risk Management Committee and the Board of Directors. The monitoring includes controls of market risk position, profit and loss, exposure, quota of investments, degree of concentration, the sensitivity analysis and the stress testing. BOT also has communication mechanism. Each operating unit put forward transaction information to the supervisory periodically in order to ensure the accuracy and effectiveness. While trading amounts excess the limitation or in other abnormal conditions, the related operating units should alert it in time.

d) 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 belong to trading book are regarded as banking book.

i) Policy and Procedure

BOT formulates " Bank of Taiwan Trading Book Management Provision" as important guideline for all trading units.

ii) Valuation Policy

BOT's market risk exposure can be classified into trading book and banking book. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as prices from TWSE, electronic screen or independent brokerage firms) and Level-2 inputs (which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which BOT 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.

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iii) Measurement Method

1. 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.

2. BOT conduct 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.

3. Check the market price every month.

4. Prepare the risk monitor report to chief director and put it on BOT's website as reference.

e) Management policies of trading book interest risk

i) Definition of interest risk

"Interest risk" is the risk derived from changes in interest rate that may lead to changes in fair value of BOT's position or losses to earnings. Main position includes interest related securities and derivatives.

ii) Management procedures for trading book interest risk

BOT sets different quotas and stop-loss points for commercials, bonds, and interest related derivatives. Each trading department assesses market price of the trading book position daily, reports to the department of risk management monthly, and reports to the committee of risk management and the board quarterly.

iii) Measurement Method

Except setting up quotas and stop-loss point, BOT also monitors its position affected by interest risk with DV01.

iv) 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'). BOT 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.

(Continued)

BOT 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 BOT. 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, BOT 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. BOT 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').

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	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
December 31, 2021								
Financial assets								
Loans	$ 80,600	12,690	700	-	-	-	-	-
Corporate bonds	18,682	15,700	-	-	-	-	-	-
Financial liabilities								
Loans from central bank	3,600	-	-	-	-	-	-	-
Derivative								
Interest rate swap	28,900	28,900	-	-	-	-	-	-
January 1, 2021								
Financial assets								
Loans	108,344	7,488	2,420	-	5,441	-	486	-
Corporate bonds	15,406	7,895	-	-	-	-	-	-
Derivative								
Interest rate swap	9,931	9,931	-	-	-	-	-	-

(Continued)

f) 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.

i) Strategy

The interest rate risk management increases BOT' s flexibility in order to measure, manage and hedge the interest rate risk. BOT formulates "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 .

ii) Management procedure

In order to adapt the economic financial environment changes and to fulfill the capital requirement, BOT 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 NTD 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.

iii) Measurement method

BOT 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.

g) Exchange rate risk management

i) Definition of exchange rate risk

The exchange rate risk refers to the profit or loss resulted from two different currencies transferred at different times. BOT exchange rate risk is derived from exchange, forward exchange, FX swaps, cross currency swaps, and foreign exchange options. Because BOT squares customer' s position every day, the exchange rate does not have any significant risk.

ii) Management procedures and measurement method of exchange rate risk

To control the exchange rate risk, BOT 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.

BOT conducts stress testing. The simulated situations are ±3% changes of exchange rate for every currency. The relevant statements are disclosed at sensitivity analysis.

h) Equity security risk management

i) 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 resulted from the whole market price changes.

ii) 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.

iii) Procedure of equity security price risk management

BOT 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.

iv) Measurement method

The control of the equity security price risk is based on the unrealized gain (loss) ratio and the aforementioned investment limitations.

BOT conducts stress testing every season. The simulated situations are ±15% changes of equity security price. The relevant statements are disclosed at sensitivity analysis.

i) Market risk valuation technique

i) Interest Rate Risk Sensitivity

BOT assumes that other factors are unchanged 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 decrease $22 million, respectively and the other comprehensive income will decrease $14,781 million and decrease $9,440 million, respectively. If the yield curve moves downward by 100 bps, the income after tax will increase $78 million and increase $359 million, respectively and the other comprehensive income will increase $15,891 million and $10,994 million, respectively.

ii) Exchange Rate Risk Sensitivity

BOT assumes that other factors are unchanged and the foreign currency to New Taiwan Dollars exchange rate appreciates 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.

iii) Equity Security Price Risk Sensitivity

BOT assumes that other factors are unchanged 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 and the other comprehensive income will increase $16,792 million and $13,860 million, respectively.

If the market prices decrease 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.

iv) Sensitivity analysis is as follows:

Units: In Millions of NTD

December 31, 2021			
		Amount Influence	
Main risk	Range	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/ NTD rise 3%		679
Exchange rate risk	Other foreign currency / NTD 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)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Units: In Millions of NTD

December 31, 2020			
		Amount Influence	
Main risk	Range	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/ NTD rise 3%		731
Exchange rate risk	Other foreign currency / NTD 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)

j) Net position of major foreign currencies

Units: In Thousands of stated currencies

December 31, 2021		
Amount in original currency		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

Units: In Thousands of stated currencies

December 31, 2020		
Amount in original currency		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.

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All held foreign financial assets and liabilities are classified by currencies and represented using the carrying amounts. The following tables are the information at December 31, 2021 and 2020, respectively.

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

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	December 31, 2021		
Liabilities	**USD to NTD**	**Other currency to NTD**	**Total NTD**
Deposits of Central Bank and other banks	$ 41,879,903	31,779,923	73,659,826
Loans from 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 derivative financial liabilities	-	16,241	16,241
Bills and Bonds Sold under Repurchase Agreements	-	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)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
Assets	**USD to NTD**	**Other currency to NTD**	**Total NTD**
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	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**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
Liabilities	**USD to NTD**	**Other currency to NTD**	**Total NTD**
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 derivative financial liabilities	-	49,894	49,894
Bills and Bonds Sold under Repurchase Agreements	-	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

k) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

i) Interest rate sensitivity assets and liabilities analysis (New Taiwan Dollars)

Unit: In Thousand of NTD

December 31, 2021					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	$ 1,495,206,474	1,988,538,496	196,590,311	429,329,488	4,109,664,769
Interest rate sensitive liabilities	370,280,629	3,119,407,194	320,187,944	104,697,844	3,914,573,611
Interest rate sensitive gap	1,124,925,845	(1,130,868,698)	(123,597,633)	324,631,644	195,091,158
Net worth					403,052,938
Ratio of interest rate sensitive assets to liabilities (%)					104.98
Ratio of interest rate sensitive gap to net worth (%)					48.40

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Unit: In Thousand of NTD

December 31, 2020					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	$ 1,636,841,392	1,919,353,973	110,682,820	390,287,876	4,057,166,061
Interest rate sensitive liabilities	459,380,994	3,069,596,452	285,899,290	100,133,343	3,915,010,079
Interest rate sensitive gap	1,177,460,398	(1,150,242,479)	(175,216,470)	290,154,533	142,155,982
Net worth					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 interesting-bearing liabilities with revenues and costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap=Interest-rate-sensitivity assets–Interest-rate-sensitivity liabilities.

Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities (in New Taiwan Dollars).

ii) Assets and liabilities interest rate sensitivity analysis (United Stated Dollars)

Unit: In Thousand of USD

December 31, 2021					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	$ 30,597,883	5,774,746	7,007,456	2,651,865	46,031,950
Interest rate sensitive liabilities	21,020,872	12,412,675	4,907,837	503,252	38,844,636
Interest rate sensitive gap	9,577,011	(6,637,929)	2,099,619	2,148,613	7,187,314
Net worth					(105,631)
Ratio of interest rate sensitive assets to liabilities (%)					118.50
Ratio of interest rate sensitive gap to net worth (%)					(6,804.17)

Unit: In Thousand of USD

December 31, 2020					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	$ 30,943,340	4,113,223	6,541,285	1,182,685	42,780,533
Interest rate sensitive liabilities	20,870,413	9,972,468	6,124,378	470,589	37,437,848
Interest rate sensitive gap	10,072,927	(5,859,245)	416,907	712,096	5,342,685
Net worth					(10,329)
Ratio of interest rate sensitive assets to liabilities (%)					114.27
Ratio of interest rate sensitive gap to net worth (%)					(51,725.09)

(Continued)

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).

6) Other risks

a) Operational risk and legal risk

BOT 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 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.

b) Compliance risks

To conduct the planning, management and execution of BOT’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 units (each unit of the head office, Secretary Department of the Board of directors, Department of Internal Auditing of the Board of Directors), training unit (Training Institute), and the self-assessment unit (each operational unit, excluding Department of Internal Auditing Board of Directors). The Department of Compliance also holds the responsibility of planning, managing and executing the overall legal compliance of the Bank. For instance, the task unit 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 prepares the Legislation and Amendment of External Financial Regulations Checklist to let each operation unit recheck their internal guidelines and make necessary adjustments in time. The Department of Compliance passes the information to colleagues about changes in financial regulations related to the BOT’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.

(Continued)

BOT will not only comply with the requirements of the competent authority but also keep collecting domestic and foreign data and refer to the practical practice of other banks to improve the quantitative measurement of compliance and the capability of quality management.

c) Money laundering and terrorist financing risks

BOT 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. BOT took the following actions to combat money laundering and terrorism financing (AML/CFT):

i) Setting up responsible unit and appoint AML/CFT Responsible Officer

The board of directors of BOT 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.

ii) Setting up AML/CFT Committee

BOT sets up "Legal Compliance, Anti-Money Laundering and Combating Terrorism Financing Committee (AML/CFT Committee)" according to the Regulations for 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.

iii) Optimizing AML/CFT managerial mechanisms

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

(Continued)

iv) Setting up and optimizing AML/CFT information systems

According to “Regulations Governing Anti-Money Laundering” Art. 9.1., financial institutions should gradually integrate customer information and transaction data by information systems, for the purpose of enhancing its capability of account and transaction monitoring. BOT will strengthen its policies and procedures regarding ongoing monitoring of accounts and transactions by applying risk-based approach and the assistance of information systems. In order to verify the effectiveness of the systems, consultants are hired to condut independent tests, provide recommendations for setting transaction monitoring thresholds, and continuously optimize the system.

v) Establishing AML/CFT area in its internal information network

In order for its employees to have an immediate access to AML/CFT related information, BOT sets up an AML/CFT website within its internal network. This measure simplifies the procedures of collecting related information, and is beneficial to BOT by providing compliance guidance to its employees in their daily operations.

vi) Raising awareness about money laundering and terrorism financing

BOT 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, BOT also engaged external experts to hold training for BOT's responsible officers and supervisors. Furthermore, BOT 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.

vii) Reporting the properties (including its related interests and their locations) designated by the Counter-Terrorism Financing Act and suspicious transactions to Investigation Bureau, Ministry of Justice .

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

To control trade-based money laundering, counter-proliferation financing, and antisanctions effectively, BOT 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, BOT 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.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Transfer of financial assets－transferred financial assets without overall derecognition

The transferred financial assets of BOT 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, BOT cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since BOT still bears 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				
Financial assets type	**Transferred financial assets book value**	**Financial liability book value**	**Transferre d financial assets fair value**	**Financial liability fair value**	**Net fair**
Financial assets at fair value through profit or loss					
Issued under repurchase agreement	$ 29,971	29,979	29,971	29,979	(8)
Financial assets at fair value through other comprehensive income					
Issued under repurchase agreement	3,860,094	3,957,236	3,860,094	3,957,236	(97,142)

	December 31, 2020				
Financial assets type	**Transferred financial assets book value**	**Financial liability book value**	**Transferre d financial assets fair value**	**Financial liability fair value**	**Net fair**
Financial asset at fair value through profit or loss					
Issued under repurchase agreement	$ 29,972	29,984	29,972	29,984	(12)
Financial assets at fair value through other comprehensive income					
Issued under repurchase agreement	3,998,900	4,451,906	3,998,900	4,451,906	(453,006)

8) Offsetting of financial assets and financial liabilities

BOT holds financial instruments which meet the Section 42 of the IAS 32 endorsed by the FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although BOT does 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.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Description	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Relevant amount not offset on the balance sheet (d) Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 3,513,057	-	3,513,057	1,119,488	724,875	1,668,694

December 31, 2021

Financial liabilities under offsetting or general agreement of net amount settlement or similar norms

Description	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilitieson the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Relevant amount not offset on the balance sheet (d) Pledged cash Collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 5,812,323	-	5,812,323	1,106,416	587,821	4,118,086

Note: Netting settlement agreement and non-cash financial collaterals are included.

December 31, 2020

Financial assets under offsetting or general agreement of net amount settlement or similar norms

Description	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Relevant amount not offset on the balance sheet (d) Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 11,587,077	-	11,587,077	1,581,354	3,844,838	6,160,885

December 31, 2020

Financial liabilities under offsetting or general agreement of net amount settlement or similar norms

Description	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilitieson the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Relevant amount not offset on the balance sheet (d) Pledged cash Collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 17,802,321	-	17,802,321	1,528,827	808,226	15,465,268

Note: Netting settlement agreement and non-cash financial collaterals are included.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) The subsidiary, BTLI

1) Risk management system

a) The structure, organization and the responsibility of the risk management

The risk management structure of BTLI is composed of the Board of Directors, the risk management committee, the director of the heads of risk management, the internal audit department, the risk management department and all the operational units. Their responsibilities are described as follows:

i) Board of Directors

The Board of Directors is responsible for the oversight of the Company's risks. They should identify risks in business operations and ensure the effectiveness of risk management.

ii) Risk management committee

The Risk Management Committee is responsible for formulating risk the management policies and organization functions: (i) establish qualified and quantified management standards, structure; (ii) regularly report the performance and provide advice to the Board of Directors.

iii) The Chief Risk Officer is responsible for overseeing the overall risk management.

iv) Risk management department

The Risk Management Department is responsible for monitoring, measuring and evaluating the implementation of the risk management on a daily basis. The Risk Management Department shall remain independent of other operational units.

v) All the operational units

Each department shall identify, measure, response and monitor the risk of implementation.

vi) The internal audit department

The internal audit department shall audit the risk management performance of each department in accordance with the applicable regulations and legislations.

b) Risk management procedures and protocols

i) Risk management procedures include risk identification, risk measurement, risk response, risk monitoring, data communication and documentation. Moreover, integrating risk management procedures to an operational level is helpful to reflect the impact on risk arising from changing in business environment.

ii) BTLI establishes the relevant risk indicators for the risks in business operations concerning the procedures, period and frequency of identification, measurement and evaluation of risk as means of decision making. It also includes performance evaluation and resource allocation.

iii) After the evaluation and compilation of risks, the appropriate responding procedure from the Company shall include the followings:

1. Risk averse: to exclude any participation or terminate the operations and activities.

2. Risk transfer: to reinsure or transfer all or partial risks to a third party.

3. Risk control: to adopt risk controlling procedures in order to minimize any impact.

4. Risk tolerance: to tolerate any possible impact of risk by not initiating procedures as means of changing the probabilities of outcome.

iv) BTLI establishes a risk monitoring system, timely scrutinize and monitor all the risks. If a risk is higher than expected or the tolerant limit, the Company should report and respond accordingly.

v) The aforementioned risk monitoring and reporting system shall change along with the adjustment of operating objectives, risk exposure and external conditions of BTLI, including the effectiveness of the risk management system and the appropriateness of risk elements.

c) Credit risk management

BTLI set credit limits for each rating and continuous credit risk mechanism for the credit risk management of securities investment. Performs strict credit analysis based on the different characteristics of financial instruments in order to control the credit risk exposure by investment instrument, issuer, counterparty, nation and industry, and to set the credit limits for each rating. Also prepares its related reports periodically to ensure it abides by the law.

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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BTLI performs strict credit analysis before undertaking mortgage loans and insurance loans. The mortgage loan policy not only limits the Loan-to-Value but also requests the evaluation of personal financial ranking to decide whether or not to undertake the loan. For the insurance loans, the loan amount shall be under the policy value reserves of the insurance product.

BTLI uses the Probability of Default (PD) and Loss Given Default (LGD) to measure the credit risk of risk related instruments, including debt investment measured at fair value through other comprehensive income and financial assets measured at amortized cost. Also performs pressure tests to evaluate the effect of abnormal credit changes

d) Liquidity risk management

BTLI manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

e) Market risk management

BTLI performs evaluations before any financial instruments investment. Furthermore, uses VaR model, scenario analysis, stress test, back test, position limit, risk limit, and stop-loss system to manage market risk derived from financial investments.

f) Operational risk

Operational risk is the risk of loss arising from fraud, unauthorized authorities, error, omission, inefficiency system failure or external events. BTLI manages the risk through a control-based environment in which processes are documented, authorization is independent and transactions are reviewed and monitored.

BTLI sets up operation regulations and internal control system for each product and operating activity. BTLI also sets emergency management and recovery plan (Business Continuity Plan) with respect to some events caused by nature or human, such as the regional disasters, significant infectious diseases, employee’s strikes, system interruptions and so on. In doing so, BTLI can ensure operations can continue even if a material incident occurs.

The risk management department monitors the operation risk exposure periodically and offers suggestions on topics regarding operational risk management. If a significant operation risk event happens, the risk management department should immediately prepare a risk management report.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Credit risk

As engaging in financial transactions, BTLI has exposure to credit risk, including issuer credit risk, counterparty credit risk, and credit risk of underlying assets:

· Issuer credit risk is the risk that an issuer of financial debt instruments or a bank will default and be unable to fulfill the repayment obligation, or go into bankruptcy or liquidation, and thereby cause BTLI to suffer a financial loss.

· Counterparty credit risk is the risk that a counterparty will default on a transaction and fail to pay due to price movement in the underlying securities of BTLI's derivatives, and thereby cause BTLI to suffer a financial loss.

· Credit risk of underlying assets is the risk that an underlying asset of an instrument held by BTLI will have its credit quality weakened, its risk premium increased, or its credit rating downgraded, or that the issuer will be unable to meet the contractual obligation, and thereby cause BTLI to suffer a financial loss.

a) Concentration of Credit Risk

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

BTLI maintains a diversified portfolio, limits its exposure to any one geographic region, country or individual creditor and monitors the exposure continuously. BTLI's most significant concentrations of credit risk are summarized as follows:

i) Industry

Item	Finance	Government	Petrochemical Industry	Manufacturing	Electricity	Other
December 31, 2021						
Financial assets						
Cash and cash equivalents	$ 24,715,093	-	-	-	-	-
Receivables	1,258,111	644,058	179	47,486	53,260	1,187,125
Financial assets at fair value through profit or loss－debt instruments and derivatives	13,053,676	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income －debt instruments	154,042	-	-	-	-	-
Financial assets measured at amortized cost－debt instruments	163,059,065	66,000,659	-	7,629,723	9,297,083	79,293,745
Other financial assets, net	19,924,750	-	-	-	-	-
Loans	-	-	422,585	-	478,424	6,986,445
Guarantee deposits paid	54,031	6,706,640	-	-	-	2,057

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Finance	Government	Petrochemical Industry	Manufacturing	Electricity	Other
December 31, 2020						
Financial assets						
Cash and cash equivalents	$ 50,325,737	-	-	-	-	-
Receivables	4,505,848	678,065	-	51,949	20,769	1,028,510
Financial assets at fair value through profit or loss－debt instruments and derivatives	12,887,126	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income －debt instruments	154,952	207,457	-	-	-	-
Financial assets measured at cost	156,193,584	69,425,177	-	7,731,593	4,898,447	54,676,547
Other financial assets, net	9,910,500	-	-	-	-	-
Loans	-	-	412,900	-	788,000	7,743,593
Guarantee deposits paid	54,026	5,441,313	-	-	-	2,709

ii) Region

Item	Taiwan	America	Europe	Asia	Oceania
December 31, 2021					
Financial assets					
Cash and cash equivalents	$ 24,715,093	-	-	-	-
Receivables	1,735,531	1,022,594	118,865	313,229	-
Financial assets at fair value through profit or loss－debt instruments and derivatives	12,949,958	-	-	103,718	-
Financial assets measured at fair value through other comprehensive income－debt instruments	154,042	-	-	-	-
Financial assets measured at amortized cost－debt instruments	81,695,923	144,682,660	43,217,153	49,972,652	5,711,887
Other financial assets, net	19,924,750	-	-	-	-
Loans	7,887,454	-	-	-	-
Guarantee deposits paid	6,762,728	-	-	-	-

Item	Taiwan	America	Europe	Asia	Oceania
December 31, 2020					
Financial assets					
Cash and cash equivalents	$ 50,325,737	-	-	-	-
Receivables	3,441,444	2,372,944	138,425	332,328	-
Financial assets at fair value through profit or loss－debt instruments and derivatives	12,879,626	-	-	7,500	-
Financial assets measured at fair value through other comprehensive income－debt instruments	154,952	130,533	-	76,924	-
Financial assets measured at amortized cost－debt instruments	76,425,816	116,167,984	42,975,548	49,071,974	8,284,026
Other financial assets, net	9,910,500	-	-	-	-
Loans	8,944,493	-	-	-	-
Guarantee deposits paid	5,498,048	-	-	-	-

(Continued)

b) Credit Quality Analysis of the subsidiary, BTLI:

i) Categories for credit risk quality

BTLI internally categorizes the credit risk into three levels, which are low risk, high risk and impaired risk. The definition of each level is as follows:

1. 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.

2. 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.

3. Impaired risk: the counterparties or the target did not perform its obligation according to the contracts, and the potential estimated loss of BTLI has reached the standard of impairment

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

BTLI determines 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, BTLI considers the reasonable and supportable information (including forward looking information) which shows that the credit risk has increased significantly since initial recognition. The main considerations include:

1. Credit business (including related interest receivables)

The main consideration for the credit business is the information pertinent to overdue status of counterparties. If the contract payments are overdue for more than 30 days, BTLI determines that the credit risk of the related financial assets has significantly increased since initial recognition.

Business	Combination	Definition
Loan on real estate	Current: 0 DPD	Credit risk has not significantly increased
	M1: 1-30/31 DPD	Credit risk has significantly increased
	M2: 31-60 DPD	
	M3: 61-90 DPD	
	D: 91 DPD/Defaulted Mark=Y	Credit has impaired

(Continued)

2. Debt investments (including related interest receivables)

If, at the reporting date, the external credit rating of financial assets has declined equal to or over one credit rating and the financial assets are classified as high risk, BTLI determines that the credit risk of financial assets has significantly increased since initial recognition.

Details of the correlation between credit risk quality of debt investments and external credit rating are as follows:

Credit risk quality	Credit rating of domestic credit rating agencies (Taiwan Ratings)
Low risk	twAAA
	twAA+
	twAA
	twAA-
	twA+
	twA
	twA-~twBBB+
	twBBB
High risk	twBBB-
	twBB+~twBB
	twBB-~twB+
	twB~twB-
	twCCC

Credit risk quality	Credit rating of international credit rating agencies (S&P)
Low risk	AAA
	AA+
	AA
	AA-
	A+
	A
	A-
	BBB+
	BBB
High risk	BBB-
	BB+
	BB
	BB-
	B+
	B
	B-
	CCC

All types of credit assets owned by BTLI are not applicable to the following assumption: if the credit risk of the credit assets is low, BTLI may consider that the credit risk of financial assets has not significantly increased since initial recognition.

iii) Definitions for default and credit impairment of financial assets

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

1. Quantitative indicators

When financial assets receivables are overdue for more than 90 days.

2. Qualitative indicators

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

- The borrower / issuer has filed for bankruptcy or is likely to file a bankruptcy.
- The borrower / issuer has died or the company is dissolved.
- The financial instrument’s contract of the borrower's or issuer's has defaulted.
- The financial market of the financial asset disappeared due to the financial difficulties of the borrower or the issuer.
- Due to financial or contractual reasons related to the financial difficulties of the borrower / issuer, the creditor of the borrower / issuer gives the borrower a concession that would not have been considered.
- Purchase or originate financial assets at a substantial discount that reflects the credit losses have occurred.

The aforementioned definition of breach of contract and credit impairment applies to all financial assets held by BTLI, 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.

If a financial asset 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.

iv) Write off policy

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

1. The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.

2. The collateral and property of the primary/subordinate debtors 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 BTLI might collect from the debtors where there is no financial benefit in execution.

3. The primary/subordinate debtor'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 BTLI 's taking possession of such collateral.

4. 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.

v) Expected credit loss measurement

1. Adopted methods and assumptions

For BTLI, 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, BTLI adoptsProbability of default (“PD”), 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 BTLI, relatedimpairment assessments are based on domestic credit rating agencies (Taiwan Rating) and international credit rating agencies (S&P), regularly publish information on default rate and loss given default, or internal historical information (such as credit losses experience, etc.) and calculate based on current observable data and forward looking general economic information (such as gross domestic production) after adjusting historical data.

Exposure at default is measured based on amortized cost of financial assets.

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

vi) Forward looking information considerations

BTLI takes forward looking information into account when judging whether the credit risk of a financial instrument has increased significantly since its initial recognition, and when the expected credit loss is measured. BTLI uses historical data to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset portfolios. Relevant economic factors and its impact on expected credit losses may be different as the types of financial instruments change.

1. Credit business (including related interest receivables)

   BTLI provides predicted information of relevant economic factors (basic economic situation) every season. The information includes the best estimation of future economic status within a year, and average long-term probability of default predicted by Stepwise Reversion Method.

2. Debt investments (including related interest receivables)

   The probability of default which BTLI utilizes to assess related impairment is based on the information issued by the domestic credit rating agencies (Taiwan Rating) and international credit rating agencies (S&P). The aforementioned information includes forward looking macroeconomic information.

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TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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vii) Changes in loss allowance of the subsidiary, BTLI

1. Changes in loss allowance of receivables

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

	2021						
	12 month ECLs	**Lifetime ECLs (collectively assessed)**	**Lifetime ECLs (individually 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 the Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans**	**Total**
Beginning balance	$ 667	-	17,038	17	17,722	16	17,738
Changes due to financial instruments recognized as at beginning:							
－Transfer to 12month expected credit losses	12	-	-	(12)	-		-
－Financial assets that have been derecognized during the period	(83)	-	-	-	(83)		(83)
Originated or purchase new financial assets	121	-	-	-	121		121
Impairment difference recognized in accordance with the Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	-	(9)	(9)
Foreign exchange and other movements	(53)	-	1	6	(46)		(46)
Ending balance	**$ 664**	**-**	**17,039**	**11**	**17,714**	**7**	**17,721**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

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	2020						
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually 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 the Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Non accrual Loans	Total
Beginning balance	$ 588	-	17,196	4	17,788	34	17,822
Changes due to financial instruments recognized as at beginning:							
－Financial assets that have been derecognized during the period	(97)	-	(158)	-	(255)		(255)
Originated or purchase new financial assets	187	-	-	-	187		187
Impairment difference recognized in accordance with the Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	-	(18)	(18)
Foreign exchange and other movements	(11)	-	-	13	2		2
Ending balance	**$ 667**	**-**	**17,038**	**17**	**17,722**	**16**	**17,738**

In 2021 and 2020, there were no significant change in the allowance loss resulting from significant changes in the total carrying amount.

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2. Changes in loss allowance of secured loans (including non-accrual loans)

As of December 31, 2021 and 2020, the reconciliations of the beginning and ending balances for loss allowance of secured loans (including accrual loans) were as follows:

	2021						
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually 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 the Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Non accrual Loans	Total
Beginning balance	$ 715	255	-	4,171	5,141	41,955	47,096
Changes due to financial instruments recognized as at beginning:							
－Transfer to lifetime expected credit losses	(3)	3	-	-	-		-
－Transfer to credit impairment of financial assets	-	(137)	-	137	-		-
－Transfer to 12month expected credit losses	2,980	(74)	-	(2,906)	-		-
－Financial assets that have been derecognized during the period	(129)	(26)	-	-	(155)		(155)
Originated or purchase new financial assets	37	-	-	-	37		37
Impairment difference recognized in accordance with the Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	-	(13,042)	(13,042)
The recovery of bad debts written off	66,638	-	-	-	66,638		66,638
Foreign exchange and other movements	(69,896)	58	-	1,192	(68,646)		(68,646)
Ending balance	**$ 342**	**79**	**-**	**2,594**	**3,015**	**28,913**	**31,928**

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TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2020						
	12 month ECLs	**Lifetime ECLs (collectively assessed)**	**Lifetime ECLs (individually 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 the Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Non accrual Loans**	**Total**
Beginning balance	1,332	173	-	652	2,157	49,092	51,249
Changes due to financial instruments recognized as at beginning:							
—Transfer to lifetime expected credit losses	(4)	4	-	-	-		-
—Transfer to credit impairment of financial assets	(3)	(43)	-	46	-		-
—Transfer to 12month expected credit losses	37	(37)	-	-	-		-
—Financial assets that have been derecognized during the period	(31)	-	-	(11)	(42)		(42)
Originated or purchase new financial assets	47	-	-	-	47		47
Impairment difference recognized in accordance with the Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	-	(7,137)	(7,137)
The recovery of bad debts written off	1,289	-	-	-	1,289		1,289
Foreign exchange and other movements	(1,952)	158	-	3,484	1,690		1,690
Ending balance	$ **715**	**255**	**-**	**4,171**	**5,141**	**41,955**	**47,096**

In 2021 and 2020, there were no significant change in the allowance loss resulting from significant changes in the total carrying amount.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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3. Changes in loss allowance of debt instruments measured at amortized cost

As of December 31, 2021 and 2020, the reconciliations 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 (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	100,902	-	-	-	100,902	100,902
Changes due to financial instruments recognized as at beginning:						
－Financial assets that have been derecognized during the period	(13,514)	-	-	-	(13,514)	(13,514)
Originated or purchase new financial assets	24,607	-	-	-	24,607	24,607
Foreign exchange and other movements	(3,939)	-	-	-	(3,939)	(3,939)
Ending balance	$ 108,056	-	-	-	108,056	108,056

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	2020					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	91,870	-	-	-	91,870	91,870
Changes due to financial instruments recognized as at beginning:						
－Financial assets that have been derecognized during the period	(24,795)	-	-	-	(24,795)	(24,795)
Originated or purchase new financial assets	35,799	-	-	-	35,799	35,799
Foreign exchange and other movements	(1,972)	-	-	-	(1,972)	(1,972)
Ending balance	$ **100,902**	**-**	**-**	**-**	**100,902**	**100,902**

In 2021 and 2020, there were no significant change in the allowance loss resulting from significant changes in the total carrying amount.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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4. Changes in loss allowance of debt instruments measured at fair value through other comprehensive income

	2021					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	74	-	-	-	74	74
Changes due to financial instruments recognized as at beginning:						
－Financial assets that have been derecognized during the period	(23)	-	-	-	(23)	(23)
Ending balance	$ 51	-	-	-	51	51

	2020					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	742	-	-	-	742	742
Changes due to financial instruments recognized as at beginning:						
－Financial assets that have been derecognized during the period	(656)	-	-	-	(656)	(656)
Foreign exchange and other movements	(12)	-	-	-	(12)	(12)
Ending balance	$ 74	-	-	-	74	74

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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5. In 2021 and 2020, BTLI does not have originated or purchased new financial assets whose credit are impaired.

c) Credit risk exposure

i) The gross carrying amounts of receivables of BTLI with maximum credit risk exposure are as follows:

	Receivables				
	December 31, 2021				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"	Total
Low risk	$ 3,190,089	16	-	-	3,190,105
High risk	740	-	17,095	-	17,835
Gross carrying amount	3,190,829	16	17,095	-	3,207,940
Allowance for impairment	(664)	-	(17,050)	-	(17,714)
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"				(7)	(7)
Total	$ 3,190,165	16	45	(7)	3,190,219

	December 31, 2020				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"	Total
Low risk	$ 6,282,852	43	-	-	6,282,895
High risk	2,863	-	17,121	-	19,984
Gross carrying amount	6,285,715	43	17,121	-	6,302,879
Allowance for impairment	(667)	-	(17,055)	-	(17,722)
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"				(16)	(16)
Total	$ 6,285,048	43	66	(16)	6,285,141

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) The gross carrying amounts of secured loans (including non accrual loans) with maximum credit risk exposure are as follows:

	Secured loans				
	December 31, 2021				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"	Total
Current 0~M1	$ 2,101,700	-	-	-	2,101,700
M2~M3	-	6,475	-	-	6,475
Default (D)	-	-	13,650	-	13,650
Gross carrying amount	2,101,700	6,475	13,650	-	2,121,825
Allowance for impairment	(342)	(79)	(2,594)	-	(3,015)
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"				(28,913)	(28,913)
Total	$ 2,101,358	6,396	11,056	(28,913)	2,089,897

	December 31, 2020				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"	Total
Current 0~M1	$ 3,090,293	-	-	-	3,090,293
M2~M3	-	16,388	-	-	16,388
Default (D)	-	-	20,702	-	20,702
Gross carrying amount	3,090,293	16,388	20,702	-	3,127,383
Allowance for impairment	(715)	(255)	(4,171)	-	(5,141)
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"				(41,955)	(41,955)
Total	$ 3,089,578	16,133	16,531	(41,955)	3,080,287

1. Collateral and other credit enhancements

BTLI adopts a series of policies and measures to mitigate credit risks in relation to credit business, and one of the most common methods is requesting the borrower for the collateral. BTLI sets up the scope of collateral that can be recovered and the appraisal, as well as the management and disposing procedures to ensure the credit right. The major collateral of the Company is real estate.

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On the other hand, the loan security, terms of collateral, conditions to offset are addressed in the credit extending contract. The reduced facility and shortened repayment period or whether or not a loan is deemed matured are all well-defined to mitigate credit risk in case that the credit event does incur.

The collateral policies and the overall quality of collateral of BTLI do not change significantly during 2021 and 2020.

BTLI observes the collateral value of financial instruments closely and determines whether the credit-impaired financial assets have further impairment. The details of credit-impaired financial assets and collateral value which reduces potential losses are as follows:

	December 31, 2021		
	Exposures	**Allowance for impairment**	**Fair value of collateral**
Impaired financial assets:			
Secured loans (including non-accrual loans)	$ 13,650	(2,594)	33,826
Gross impaired financial assets	**$ 13,650**	**(2,594)**	**33,826**

	December 31, 2020		
	Exposures	**Allowance for impairment**	**Fair value of collateral**
Impaired financial assets:			
Secured loans (including non-accrual loans)	$ 20,702	(4,171)	50,399
Gross impaired financial assets	**$ 20,702**	**(4,171)**	**50,399**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii) The gross carrying amounts of financial assets with maximum credit risk exposure are as follows:

	Debt instruments measured at amortized cost			
	December 31, 2021			
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Total
Low ridk	$ 325,288,331	-	-	325,288,331
High risk	100,000	-	-	100,000
Gross carrying amount	325,388,331	-	-	325,388,331
Allowance for impairment	(108,056)	-	-	(108,056)
Total	**$ 325,280,275**	**-**	**-**	**325,280,275**

	December 31, 2020			
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Total
Low ridk	$ 292,626,250	-	-	292,626,250
High risk	400,000	-	-	400,000
Gross carrying amount	293,026,250	-	-	293,026,250
Allowance for impairment	(100,902)	-	-	(100,902)
Total	**$ 292,925,348**	**-**	**-**	**292,925,348**

iv) The gross carrying amounts of financial assets with maximum credit risk exposure are as follows:

	Debt instruments measured at fair value through other comprehensive income			
	December 31, 2021			
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Total
Investment rating	$ 150,000	-	-	150,000
Gross carrying amount	150,000	-	-	150,000
Allowance for impairment	(51)	-	-	(51)
Fair value adjustments	4,042			4,042
Total	**$ 153,991**	**-**	**-**	**153,991**

	December 31, 2020			
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Total
Investment rating	$ 320,932	-	-	320,932
Gross carrying amount	320,932	-	-	320,932
Allowance for impairment	(74)	-	-	(74)
Fair value adjustments	41,477			41,477
Total	**$ 362,335**	**-**	**-**	**362,335**

v) The amount of maximum credit risk exposure of the financial instruments not applicable to impairment requirements is as follows:

	December 31, 2021	December 31, 2020
Debt instruments	$ 11,685,576	10,116,071

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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3) Liquidity Risk

The followings are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

Derivatives settled in net

	December 31, 2021				
	1 year	1~2 years	2~5 years	Over 5 years	Total
Financial liabilities measured at fair value through profit or loss					
Foreign exchange derivatives	$ (5,911)	-	-	-	(5,911)

Derivatives settled in net

	December 31, 2020				
	1 year	1~2 years	2~5 years	Over 5 years	Total
Financial liabilities measured at fair value through profit or loss					
Foreign exchange derivatives	$ (332,478)	-	-	-	(332,478)

Derivatives settled in total

	December 31, 2021				
	1 year	1~2 years	2~5 years	Over 5 years	Total
Financial liabilities measured at fair value through profit or loss					
Foreign exchange derivatives					
－Cash outflow	$ (1,382,500)	-	-	-	(1,382,500)
－Cash inflow	1,378,300	-	-	-	1,378,300
Interest rate derivatives					
－Cash outflow	(21,360)	(4,158,862)	-	-	(4,180,222)
－Cash inflow	-	4,145,000	-	-	4,145,000
Subtotal of outflows	$ (1,403,860)	(4,158,862)	-	-	(5,562,722)
Subtotal of inflows	$ 1,378,300	4,145,000	-	-	5,523,300
Net cash flows	$ (25,560)	(13,862)	-	-	(39,422)

Maturity analysis of non-derivative:

	December 31, 2021				
Assets	1 year	1~2 years	2~5 years	Over 5 years	Total
Cash and cash equivalents	$ 24,719,861	-	-	-	24,719,861
Receivables	1,117,165	-	-	-	1,117,165
Non derivative financial assets measured at fair value through profit or loss	1,264,341	934,841	632,523	16,475,898	19,307,603
Financial assets measured at fair value through other comprehensive income	1,800	1,800	155,400	-	159,000
Financial assets measured at amortized cost	43,827,782	16,112,577	48,322,710	489,880,308	598,143,377
Other financial assets, net	19,954,755	-	-	-	19,954,755
Guarantee deposits paid	55,198	160	-	6,707,370	6,762,728
Total assets	$ 90,940,902	17,049,378	49,110,633	513,063,576	670,164,489
Liabilities	**1 year**	**1~2 years**	**2~5 years**	**Over 5 years**	**Total**
Payables	$ 981,534	-	-	-	981,534
Lease liabilities	7,602	320	-	-	7,922
Total liabilities	$ 989,136	320	-	-	989,456

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TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	December 31, 2020					
Assets		**1 year**	**1~2 years**	**2~5 years**	**Over 5 years**	**Total**
Cash and cash equivalents	$	50,332,968	-	-	-	50,332,968
Receivables		4,314,792	-	-	-	4,314,792
Non derivative financial assets measured at fair value through profit or loss		227,341	1,227,341	1,245,523	13,589,898	16,290,103
Financial assets measured at fair value through other comprehensive income		8,039	8,079	24,238	412,942	453,298
Financial assets measured at amortized cost		42,764,780	20,643,220	30,043,589	497,254,386	590,705,975
Other financial assets, net		9,946,912	-	-	-	9,946,912
Guarantee deposits paid		-	-	-	5,441,313	5,441,313
Total assets	$	107,594,832	21,878,640	31,313,350	516,698,539	677,485,361

Liabilities		**1 year**	**1~2 years**	**2~5 years**	**Over 5 years**	**Total**
Payables	$	2,378,444	-	-	-	2,378,444
Lease liabilities		7,892	7,602	320	-	15,814
Total liabilities	$	2,386,336	7,602	320	-	2,394,258

4) Market Risk

a) Exchange rate risk

i) The significant exchange rate risk exposure of the financial assets and liabilities are as follows:

		December 31, 2021			December 31, 2020		
		Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets							
AUD	$	51,755	20.0900	1,039,752	67,487	21.6500	1,461,102
CAD		28,397	21.6600	615,078	27,301	22.0600	602,259
HKD		3	3.5460	10	3	3.6240	10
USD		9,078,972	27.6550	251,078,963	7,985,462	28.1000	224,391,468
CNY		39	4.3410	168	39	4.3250	168
SGD		34,343	20.4800	703,345	32,920	21.2700	700,208
Financial liabilities							
USD		1,150,141	27.6550	31,807,143	996,660	28.1000	28,006,140

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ii) The concentration of the exchange rate risk is as follows:

	December 31, 2021						
	USD	AUD	HKD	CAD	CNY	SGD	Total
Foreign financial assets							
Cash and cash equivalents	$ 3,615,480	9,151	10	2,281	168	8,999	3,636,089
Financial assets at fair value through profit or loss	4,730,908	-	-	-	-	-	4,730,908
Loans and receivables	1,485,860	-	-	-	-	-	1,485,860
Financial assets measured at amortized cost	241,246,607	1,030,601	-	612,797	-	694,346	243,584,351
Reinsurance assets	108	-	-	-	-	-	108
Total	**$ 251,078,963**	**1,039,752**	**10**	**615,078**	**168**	**703,345**	**253,437,316**
Foreign financial liabilities							
Payables	$ 102,553	-	-	-	-	-	102,553
Temporary Credits	42,397	-	-	-	-	-	42,397
Insurance liabilities	31,662,193	-	-	-	-	-	31,662,193
Total	**$ 31,807,143**	**-**	**-**	**-**	**-**	**-**	**31,807,143**

Note: December 31, 2021: 1 USD = 27.655 NTD; 1 AUD =20.090 NTD; 1 HKD = 3.546 NTD; 1 CAD = 21.660 NTD; 1 CNY = 4.341 NTD; 1 SGD = 20.480 NTD

	December 31, 2020						
	USD	AUD	HKD	CAD	CNY	SGD	Total
Foreign financial assets							
Cash and cash equivalents	$ 3,504,158	27,851	10	2,322	168	9,337	3,543,846
Financial assets at fair value through profit or loss	4,034,257	-	-	-	-	-	4,034,257
Financial assets measured at fair value through other comprehensive income	207,457	-	-	-	-	-	207,457
Loans and receivables	2,852,390	17,733	-	-	-	-	2,870,123
Financial assets measured at amortized cost	213,793,206	1,415,518	-	599,937	-	690,871	216,499,532
Total	**$ 224,391,468**	**1,461,102**	**10**	**602,259**	**168**	**700,208**	**227,155,215**

	USD	AUD	HKD	CAD	CNY	ZAR	Total
Foreign financial liabilities							
Payables	$ 14,962	-	-	-	-	-	14,962
Temporary Credits	433	-	-	-	-	-	433
Insurance liabilities	27,990,745	-	-	-	-	-	27,990,745
Total	**$ 28,006,140**	**-**	**-**	**-**	**-**	**-**	**28,006,140**

Note: December 31, 2020: 1 USD = 28.100 NTD; 1 AUD = 21.650 NTD; 1 HKD = 3.624 NTD; 1 CAD = 22.06 NTD; 1 CNY = 4.325 NTD; 1 SGD= 21.27 NTD.

b) Interest rate risk

The changes in the interest rates of financial assets and financial liabilities were addressed in the notes of liquidity risk management of BTLI.

The sensitivity analysis represents the interest rate risk exposure of the derivatives and non-derivatives at the reporting date. The risk of interest rate is mainly derived from the risk of interest repricing. The measurement of monitoring account interest rate risk is to compute the repricing gap of risk-sensitive assets/ liabilities and to develop risk standard as the monitoring benchmark. Its measurements are to set the interest rate, which increases or decreases 50 basis points to evaluate the risk.

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c) Sensitivity analysis

The subsidiary, BTLI, uses risk value analysis and sensitivity analysis to manage the market risk. The sensitivity analysis is used as the basis for BTLI to perform risk analysis, risk alarming and business management. The sensitivity analysis measures the effects of changes in each risk factors on the value of the portfolios, easier for BTLI to realize the influences of risk factors in possible extreme variation on the portfolios.

Units: In 100 Millions of NTD

December 31, 2021			
		Amount Influence	
Main risk	**Range**	**Equity**	**Gain or loss**
Exchange rate risk	Other foreign currencies / NTD rise 5%	2.29	41.47
Exchange rate risk	Other foreign currencies / NTD fall 5%	(2.29)	(41.47)
Interest rate risk	Interest rate curve rises 50BPS	(3.84)	-
Interest rate risk	Interest rate curve falls 50BPS	1.59	-
Price of equity stock risk	Price of equity stock rises 10% (Monetary market funds rises 2%)	36.37	1.00
Price of equity stock risk	Price of equity stock falls 10% (Monetary market funds falls 2%)	(36.37)	(1.00)

Units: In 100 Millions of NTD

December 31, 2020			
		Amount Influence	
Main risk	**Range**	**Equity**	**Gain or loss**
Exchange rate risk	Other foreign currencies / NTD rise 5%	2.12	36.70
Exchange rate risk	Other foreign currencies / NTD fall 5%	(2.12)	(36.70)
Interest rate risk	Interest rate curve rises 50BPS	(1.84)	-
Interest rate risk	Interest rate curve falls 50BPS	0.68	-
Price of equity stock risk	Price of equity stock rises 10% (Monetary market funds rises 2%)	27.23	0.60
Price of equity stock risk	Price of equity stock falls 10% (Monetary market funds rises 2%)	(27.23)	(0.60)

(Continued)

5) The nature and scope of the Insurance Contract Risk

a) Information of insurance risk

i) Sensitivity of insurance risk – Insurance contracts and financial instruments with discretionary feature:

	December 31, 2021		
	Change in assumption	**Changes in profit or loss before tax**	**Changes in shareholder's equity**
Death rate	X1.1	2,585	2,068
Morbidity	X1.1	(54,287)	(43,430)
Contract Default Rate	X0.9	(38,544)	(30,835)
Expense	X1.1	(205,426)	(164,341)
Ratio of Return on Investment	(0.25)%	(1,043,715)	(834,972)

	December 31, 2020		
	Change in assumption	**Changes in profit or loss before tax**	**Changes in shareholder's equity**
Death rate	X1.1	(8,563)	(6,850)
Morbidity	X1.1	(50,400)	(40,320)
Contract Default Rate	X0.9	(37,801)	(30,241)
Expense	X1.1	(220,527)	(176,421)
Ratio of Return on Investment	(0.25)%	(1,012,345)	(809,876)

ii) The interpretation for the concentration of insurance risk

BTLI does not target its insurance product at any group, age or gender. Insurance service area includes the whole Taiwan. In order to increase its management in insurance risk, BTLI established "BankTaiwan Life Insurance reinsurance management plan" to further implement all sorts of risk managing strategies. As a result, the concentration risks are minimal.

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iii) Claim development trend

1. Development trend of direct business loss

The development trends of the accumulated claims for the past ten years on December 31, 2021 and 2020 are as follows:

December 31, 2021

Occurrence	Development year										Claim
year	1	2	3	4	5	6	7	8	9	10	Provision
2012	174,121	224,805	228,749	229,003	229,080	229,096	229,103	229,170	229,178	229,185	-
2013	184,487	240,404	246,748	247,020	247,450	248,029	248,091	248,141	248,143	248,153	10
2014	194,819	238,026	245,923	248,279	248,544	248,636	248,726	248,726	248,731	248,738	12
2015	194,813	243,357	248,027	248,696	248,911	248,912	248,943	248,984	248,989	248,997	54
2016	189,755	244,369	249,639	251,250	251,338	251,509	251,560	251,600	251,605	251,613	104
2017	202,733	259,431	273,828	274,335	274,632	274,802	274,857	274,900	274,905	274,914	282
2018	176,786	231,577	239,238	243,625	243,836	243,992	244,043	244,084	244,089	244,098	473
2019	210,358	276,610	283,054	284,816	285,066	285,249	285,308	285,355	285,361	285,370	2,316
2020	200,501	270,373	278,791	280,622	280,880	281,067	281,125	281,171	281,176	281,187	10,814
2021	206,004	268,214	276,488	278,288	278,540	278,724	278,782	278,826	278,832	278,842	72,838
Provision for unreported and within 1year unpaid claims											86,903
Add: over 1 year reported but unpaid claims											18,120
Unreported provision claims											**105,023**

December 31, 2020

Occurrence	Development year										Claim
year	1	2	3	4	5	6	7	8	9	10	Provision
2011	158,377	203,046	210,567	211,079	211,120	211,123	211,167	211,236	212,089	212,144	-
2012	174,121	224,805	228,749	229,003	229,080	229,096	229,103	229,170	229,178	229,238	60
2013	184,487	240,404	246,748	247,020	247,450	248,029	248,091	248,140	248,724	248,781	641
2014	194,819	238,026	245,923	248,279	248,544	248,636	248,725	248,793	249,232	249,295	570
2015	194,813	243,357	248,027	248,696	248,911	248,912	248,968	249,037	249,484	249,549	637
2016	189,755	244,369	249,639	251,250	251,338	251,463	251,518	251,583	252,076	252,138	800
2017	202,733	259,431	273,828	274,335	274,525	274,658	274,718	274,790	275,307	275,375	1,040
2018	176,786	231,577	239,238	240,132	240,302	240,420	240,475	240,544	240,983	241,048	1,810
2019	210,358	276,610	285,263	286,346	286,553	286,698	286,762	286,839	287,410	287,482	10,872
2020	200,501	259,896	268,341	269,383	269,585	269,726	269,787	269,860	270,426	270,494	69,993
Provision for unreported and within 1year unpaid claims											86,423
Add: over 1 year reported but unpaid claims											38,080
Unreported provision claims											**124,503**

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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2. Development trend of retained business loss

The development trends of the accumulated claims for the past ten years on December 31, 2021 and 2020 are as follows:

December 31, 2021

Occurrence year	Development year										Claim Provision
	1	2	3	4	5	6	7	8	9	10	
2012	166,896	216,798	220,742	220,995	221,073	221,089	221,095	221,163	221,170	221,178	-
2013	177,338	230,255	236,199	236,471	236,901	237,480	237,543	237,592	237,594	237,603	9
2014	192,319	233,110	241,007	243,364	243,629	243,720	243,810	243,810	243,815	243,822	12
2015	193,219	239,697	244,227	244,896	245,111	245,113	245,143	245,184	245,189	245,197	54
2016	187,037	241,651	246,921	248,532	248,620	248,791	248,841	248,881	248,886	248,894	103
2017	199,983	254,380	268,377	268,883	269,181	269,348	269,402	269,445	269,450	269,459	278
2018	174,081	228,873	236,534	240,221	240,428	240,583	240,633	240,674	240,679	240,687	466
2019	208,458	273,710	280,154	281,894	282,141	282,323	282,381	282,428	282,434	282,443	2,289
2020	198,245	267,817	276,093	277,895	278,149	278,333	278,392	278,437	278,442	278,453	10,636
2021	204,254	265,655	273,788	275,558	275,807	275,988	276,045	276,089	276,095	276,105	71,851
Provision for unreported and within 1year unpaid claims											85,698
Add: over 1 year reported but unpaid claims											15,240
Unreported provision claims											100,938

December 31, 2020

Occurrence year	Development year										Claim Provision
	1	2	3	4	5	6	7	8	9	10	
2011	152,766	195,800	202,941	203,453	203,495	203,498	203,541	203,610	204,213	204,267	-
2012	166,896	216,798	220,742	220,995	221,073	221,089	221,095	221,163	221,170	221,230	60
2013	177,338	230,255	236,199	236,471	236,901	237,480	237,543	237,591	238,128	238,184	593
2014	192,319	233,110	241,007	243,364	243,629	243,720	243,810	243,877	244,293	244,356	546
2015	193,219	239,697	244,227	244,896	245,111	245,113	245,167	245,236	245,666	245,731	618
2016	187,037	241,651	246,921	248,532	248,620	248,743	248,797	248,863	249,343	249,405	785
2017	199,983	254,380	268,377	268,883	269,070	269,200	269,259	269,331	269,832	269,899	1,016
2018	174,081	228,873	236,534	237,418	237,586	237,703	237,758	237,826	238,257	238,322	1,788
2019	208,458	273,710	282,235	283,307	283,512	283,655	283,719	283,796	284,357	284,429	10,719
2020	198,245	256,652	264,895	265,919	266,117	266,256	266,317	266,389	266,939	267,007	68,762
Provision for unreported and within 1year unpaid claims											84,887
Add: over 1 year reported but unpaid claims											37,159
Unreported provision claims											122,046

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BTLI provides claim reserve based on the expected future payments and relevant compensation processing cost of reported and unreported claims. In computation of such provision involves vast uncertainty, estimates and judgments, and is highly complicated. Any changes of estimation and judgment are regarded as changes in accounting estimates and the amount of changes is recognized in profit or loss. Some customers may be delayed to inform the claims to BTLI. In addition, when estimating the potential compensation of unreported claims, it involves vast past experience and subjective judgment; therefore, it is not able to confirm that the estimated reserve for claims on the balance sheet date will be the same as the actual compensation. The estimate of reserve for claims is based on the information currently available; however, the final result may be different from the original estimation due to the subsequent development.

The above table shows the development trend of claims (excluding the claims of which the compensation will be confirmed in a year). The vertical shaft represents the year when the claim event occurred, and the horizontal shaft represents the development years. Every slash represents the accumulated compensation at the end of each year. The compensation refers to the claims whether they are ruled or not. It explains how BTLI estimates the compensation of each year as time passes by. The scenario and trend which affect the amount of reserve for claims may not be consistent in the future; therefore, the estimated future compensation cannot be determined by the claim development trend revealed in the above table.

b) Credit risk, liquidity risk and market risk of insurance contracts

i) Credit risk

December 31, 2021			
Name	**Credit rating agent**	**Credit rating**	**Date of rating**
Central Re	S&P	A	2013.06.10
Munich Re	S&P	AA-	2006.12.22
Swiss Re	S&P	AA-	2011.10.28
Cologne Re	S&P	AA+	2010.02.04
Gibraltar Re	S&P	A+	2015.09.17
France Re	S&P	AA-	2015.09.07
Dai-ichi Mutual Life	S&P	A+	2014.11.26

(Continued)

December 31, 2020			
Name	**Credit rating agent**	**Credit rating**	**Date of rating**
Central Re	S&P	A	2013.06.10
Munich Re	S&P	AA-	2006.12.22
Swiss Re	S&P	AA-	2011.10.28
Cologne Re	S&P	AA+	2010.02.04
Gibraltar Re	S&P	A+	2015.09.17
France Re	S&P	AA-	2015.09.07
Dai-ichi Mutual Life	S&P	A+	2014.11.26

ii) Liquidity risk

Formulating relative actuarial assumption (including death rate, contract default rate, expense, commission expense, morbidity and declared interest rate) by the actual rate of occurrence and valid insurance contract (without considering premium income from new contracts and beginning cash equivalent) of Conventional Insurance Product, Universal Life Insurance Product, Interest Sensitive Annuity Insurance Product, Participating Policy and Foreign Currency Policy up to December 31, 2021, BTLI estimate future cash flow of provisions found that there will not be negative value of net cash flow from assets and liabilities in the future.

The maturity analysis of insurance and investment contract liabilities on December 31, 2021 and 2020 are as follows:

Units: In Millions of NTD

Undiscounted expected cash outflow (inflow) on December 31, 2021			
< 12 months	1~5 years	>5 years	total
$ 14,376	61,007	1,033,966	$ 1,109,349

Undiscounted expected cash outflow (inflow) on December 31, 2020			
< 12 months	1~5 years	>5 years	total
$ (1,629)	57,665	1,097,938	$ 1,153,974

iii) Market risk

Market risk in insurance contracts refers to the adverse changes in the market resulting in the returns on investment lower than the forecasted interest rate. As a result, insurers are subjected to financial losses. Considering BTLI's forecasted interest rate with the return on investment for the year ended December 31, 2021, the undertaken risk is within the acceptable level.

c) Information regarding risk exposure for embedded insurance contracts not measured using fair value: None.

6) Offsetting financial assets and financial liabilities

BTLI engages in the transactions of financial instruments that meet the offsetting conditions set forth in paragraph 42 of IAS 32 endorsed by the FSC. Those transactions are presented at the net amount on the balance sheet.

BTLI also engages in the transactions on repurchase agreement or reversed repurchase agreement that do not meets the offsetting condition. Such transactions include global master repurchase agreement, global securities lending agreement and related agreements. If both parties agree to settle the transactions on a net basis, BTLI can settle the transactions by netting the assets and liabilities. If there are no such agreements, the Company shall settle the transaction on a gross basis. However, one party can choose to settle a transaction on a net basis if the other party defaults.

The offsetting information of financial assets and financial liabilities is shown below:

December 31, 2021
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreement

Description	Recognized financial assets (a)	Recognized financial liabilities offset in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	$ 1,368,100	-	1,368,100	25,364	-	1,342,736

December 31, 2021
Financial liabilities subject to offsetting, enforceable master netting arrangement or similar agreement

Description	Recognized financial liabilities (a)	Recognized financial assets offset in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial liabilities	$ 26,840	-	26,840	26,840	-	-

Note: Include master netting arrangement and non-cash collateral.

December 31, 2020
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreement

Description	Recognized financial assets (a)	Recognized financial liabilities offset in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	$ 2,771,055	-	2,771,055	101,191	-	2,669,864

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	December 31, 2020					
	Financial liabilities subject to offsetting, enforceable master netting arrangement or similar agreement					
				Related amount not offset in the balance sheet (d)		
Description	Recognized financial liabilities (a)	Recognized financial assets offset in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net (e)=(c)-(d)
Derivative financial liabilities	$ 250,885	-	250,885	7,500	-	243,385

Note: Include master netting arrangement and non-cash collateral.

(v) The Subsidiary, BTS

1) Risk Management Strategies and Organization Structure

The risk management strategies are the highest principles for BTS's risk management system. The risk management strategies include the risk management principles, the scope, the authority, the procedures and so on.

The risk management strategies are designed to measure various risks including market risks, credit risks, liquidity risk, operational risks, legal risks, strategy risks, reputation risks and so on. The business units are required to identify the potential risks and offer a risk management plan to the management in the course of conducting business.

The risk management mechanism is as follows:

a) Measure, monitor and control every risk under an affordable level in order to achieve the goal of the risk management.

b) Build risk indicators and precaution system to conduct proper risk monitor.

c) Establish a communication mechanism to report the complete risk information to the management periodically or properly, to announce to the subordinate units and to communicate between different departments; and to disclose to the public according to the regulations.

d) Assessing risk and preparing paper work before creating new business or products, changing operating process, or developing information system.

e) Enforcing the professional knowledge and training, and harness risk sensitivity within the corporation culture.

BTS sets a risk management department which is directly responsible to the general manager to ensure that the risks are well-controlled. The risk management organization of BTS is composed of the Board of Directors, the risk management committee, the risk management department and business units. Through a proper division of authority and responsibility, BTS establishes a risk management culture to make sure that the risk management system operates effectively.

(Continued)

Financial risk management

i) Market risk

Market risk is the risk that BTS will suffer losses due to the changes in market interest rate, exchange rate or the security price fluctuation.

BTS manages its market risk through the following risk management mechanism:

1. The content, range of transaction, and authorization of levels should be clearly defined.
2. Risk should be identified, measured, supervised, and controlled while operating financial instrument, the risk undertaken should be within the risk appetite of BTS.
3. Establishing risk target of market, precaution system, overrunning handling, and communication system to take proper policy of market risk, in order to accomplish fully supervising and prevention.
4. Establishing market risk information management system, including transaction system, operating system, and risk management system to define the responsibility, ensure the independence of the system, and keep the system proper and in balance.
5. Create a model of market risk to assess and express the exposure of BTS; furthermore, to systematically manage the risk exposed.
6. Assessing market risk and preparing paper work before creating financial instrument, changing operating process, or developing information system and explore new financial services and products.
7. Enforcing the professional knowledge and training, and harness risk sensitivity within the corporation culture.

ii) Credit risk

The causes of credit risk are derived from both balance sheet and off balance sheet items. The major credit risks arise from discounts and loans, investments, over-due receivables, risk mitigation instruments (such as collaterals, guarantees and hedge instruments), securities financing, and derivatives.

The subsidiary, BTS, uses the following mechanism to manage credit risks:

1. Formulate the acceptable business and transactions and the division of the authority and responsibility.
2. Identify, measure, monitor and control the risks in the course of business.

(Continued)

3. Establish the credit risk indicators, the credit rating management, the alarm system, the communication mechanism to improve and prevent the risk supervision.

4. Establish a complete credit risk information system and define the access rights to ensure that the credit risk monitoring operates independently.

5. Build a quantification model of credit risk to assess the exposures.

6. Assess credit risk and prepare paper work before creating financial instrument, changing operating process, or developing information system and new financial services and products.

7. Enforce the professional knowledge and training, and harness risk sensitivity within the corporation culture.

iii) Liquidity risk

Liquidity risk includes market liquidity risk and capital liquidity risk (financial risk). Market liquidity risk is the risk of facing market price movement in processing or offsetting assets caused by a low-volume market. Capital liquidity risk, on the other hand, is the risk of default at maturity due to inability to sell assets or obtain sufficient capital.

BTS has different policies in accordance with capital demands for different kinds of business aiming to effectively monitor market liquidity risk. The risk management department is in charge of the overview of capital and conducts a daily review to respond to system risk and capital demand in abnormal conditions.

In order to enhance the fund liquidity, BTS requests all business units to report the cash flow status every day. In addition, BTS also maintains sufficient cash and convertible securities consistently.

BTS's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. If BTS is unavailable to meet its obligations, the following emergency plans should be used:

1. Ask for a loan from the financial institutions.

2. Sell the short-term securities, government bonds or corporate bonds.

3. Adjust the financing rate and the LTV ratio.

4. Sell the stocks of listed company and funds.

(Continued)

iv) Operational risk

Operational risk is the risk of loss arising from fraud, unofficial authorities, error, omission, inefficiency system failure or external events. BTS manages the risk through a control-based environment in which processes are documented, authorization is independent and transactions are reviewed and monitored.

If any risk loss is defined, the business unit shall report it to the risk management department before the end of the month. The risk management department shall build an operational risk loss database to summarize, analyze and offer suggestions to the risk management committee or the Board of Directors.

2) Credit Risk

Credit risk is the risk that the counterparties of the financial instruments held by BTS and BTS's clients will default on the contracts, and thereby cause BTS to suffer a financial loss. The main considerations are the financial debts instruments and account receivables.

BTS has exposure to credit risk, including issuer credit risk, counterparty credit risk, and credit risk of underlying assets.

- Issuer credit risk is the risk that an issuer of financial debt instruments or a bank will default and be unable to fulfill the repayment obligation, or go into bankruptcy or liquidation, and thereby cause BTS to suffer a financial loss.
- Counterparty credit risk is the risk that a counterparty will default on a transaction and fail to pay due to price movement in the underlying securities of BTS’ s financial instrument derivative, and thereby cause BTS to suffer a financial loss.
- Credit risk of underlying assets is the risk that an underlying asset of an instrument held by BTS will have its credit quality weakened, its risk premium increased, or its credit rating downgraded, or that the issuer will be unable to meet the contractual obligation, and thereby cause BTS to suffer a financial loss.

a) Categories for credit risk quality

BTS internally categorizes the credit risk into three levels, which are low risk, high risk and impaired risk. The definition of each level is as follows:

i) 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, BTS is capable of dealing with the situations.

ii) 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.

(Continued)

iii) Impaired risk: the counterparties or the target did not perform its obligation according to the contracts, and the potential estimated loss of the Company has reached the standard of impairment

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

BTS determines 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, BTS considers the reasonable and supportable information (including forward looking information) that shows the credit risk increased significantly since initial recognition (including forward looking information). The main considerations include: internal/external credit rating, overdue situation, credit spreads, other marketing information relating to the borrowers, issuers or the counterparties, and other financial instruments of the same borrower have significantly increased their credit risk.

c) Definitions for default and credit impairment of financial assets

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

i) Qualitative indicators

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

1. The counterparty / issuer has filed for bankruptcy or is likely to file a bankruptcy.

2. The financial instrument’s contract of the counterparty's or issuer's has defaulted.

3. The financial market of the financial asset disappeared due to the financial difficulties of the counterparty or the issuer.

4. Purchase or originate financial assets at a substantial discount that reflects the credit losses have occurred.

ii) If a financial asset 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 applies to all financial assets held by BTS, 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.

(Continued)

d) Expected credit loss measurement

i) Adopted methods and assumptions

For BTS, 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, BTS adopts 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 BTS, related impairment assessments are based on domestic credit rating agencies (Taiwan Rating), regularly publish information on default rate and loss given default, or internal historical information (such as credit losses experience, etc.) and calculate based on current observable data and forward looking general economic information (such as gross domestic production and GDP growth rate) after adjusting historical data.

BTS measures the exposure at default ("EAD") based on the amortized cost of financial assets.

The estimation techniques or material assumptions made by BTS to assess expected credit losses have no significant changes during 2021 and 2020.

ii) Forward looking information considerations

BTS takes forward looking information into account when judging whether the credit risk of a financial instrument has increased significantly since its initial recognition, and when the expected credit loss is measured.

BTS's bond impairment assessments are based on the default rate and loss given default published by domestic credit rating agencies (Taiwan Rating), which have taken forward-looking general economic conditions into consideration. For the financial assets other than bonds, there are no significant differences on the impairment between before and after the adjustments of forward-looking factors.

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e) Credit risk exposure

The carrying amounts of the financial assets represent the maximum exposure amount. The maximum exposure to credit risk at reporting date is as follows:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 144,974	181,149
Financial assets measured at fair value through profit or loss－current	441,490	476,556
Financial assets measured at fair value through other comprehensive income－current	2,145,213	2,007,025
Financial assets measured at amortized cost	136,885	138,574
Loans and receivables	10,783,964	9,950,569
Other receivables (note)	437	16
	$ 13,652,963	**12,753,889**

Note: Recorded in other current asseets－other.

The gross carrying amounts of financial assets with maximum credit risk exposure are based on risk rating are as follows:

	Debt instruments measured at fair value through other comprehensive income December 31, 2021				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Valuation adjustment	Total
Low risk	$ 2,138,842	-	-	-	2,138,842
Gross carrying amount	2,138,842	-	-	-	2,138,842
Allowance for impairment	(2,681)	-	-	-	(2,681)
Valuation adjustment	-	-	-	6,371	6,371
Total	**$ 2,136,161**	**-**	**-**	**6,371**	**2,142,532**

	Debt instruments measured at fair value through other comprehensive income December 31, 2020				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Valuation adjustment	Total
Low risk	$ 1,995,751	-	-	-	1,995,751
Gross carrying amount	1,995,751	-	-	-	1,995,751
Allowance for impairment	(3,692)	-	-	-	(3,692)
Valuation adjustment	-	-	-	11,274	11,274
Total	**$ 1,992,059**	**-**	**-**	**11,274**	**2,003,333**

(Continued)

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	Debt instruments measured at fair value through other comprehensive income December 31, 2021				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Credit impairments of originated or purchased new financial assets－impaired	Total
Low risk	$ 136,885	-	-	-	136,885
Gross carrying amount	136,885	-	-	-	136,885
Allowance for impairment	-	-	-	-	-
Total	**$ 136,885**	**-**	**-**	**-**	**136,885**

	Debt instruments measured at amortized cost December 31, 2020				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Credit impairments of originated or purchased new financial assets－impaired	Total
Low risk	$ 138,574	-	-	-	138,574
Gross carrying amount	138,574	-	-	-	138,574
Allowance for impairment	-	-	-	-	-
Total	**$ 138,574**	**-**	**-**	**-**	**138,574**

	Accounts receivable and others December 31, 2021				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Valuation adjustment	Total
Low risk	$ 10,784,401	-	-	-	10,784,401
Gross carrying amount	10,784,401	-	-	-	10,784,401
Allowance for impairment	(490)	-	-	-	(490)
Total	**$ 10,783,911**	**-**	**-**	**-**	**10,783,911**

	Accounts receivable and others December 31, 2020				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Valuation adjustment	Total
Low risk	$ 9,905,585	-	-	-	9,905,585
Gross carrying amount	9,905,585	-	-	-	9,905,585
Allowance for impairment	(64)	-	-	-	(64)
Total	**$ 9,905,521**	**-**	**-**	**-**	**9,905,521**

The amount of maximum credit risk exposure of the financial instruments not applicable to impairment requirements is as follows:

	December 31, 2021	December 31, 2020
Debt instruments	**$ 401,348**	**380,038**

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The maximum exposure amounts by regions are as follows:

	December 31, 2021 (Taiwan)	December 31, 2020 (Taiwan)
Cash and cash equivalents	$ 144,974	181,149
Financial assets measured at fair value through profit or loss－current	441,490	476,556
Financial assets at fair value through other comprehensive income－current	2,145,213	2,007,025
Financial assets measured at amortized cost	136,885	138,574
Receivables	10,783,964	9,950,569
Other receivables (note)	437	16
	$ 13,652,963	**12,753,889**

The maximum exposure amounts by counterparties are as follows:

	Exchange	Finance	Other companies	Individuals	Total
December 31, 2021					
Cash and cash equivalents	$ -	144,974	-	-	144,974
Financial assets measured at fair value through profit or loss－current	-	40,142	401,348	-	441,490
Financial assets at fair value through other comprehensive income－current	-	85,689	2,059,524	-	2,145,213
Financial assets measured at amortized cost	-	-	136,885	-	136,885
Receivables	675,233	819	-	10,107,912	10,783,964
Other receivables (note)	-	-	-	437	437
	$ 675,233	**271,624**	**2,597,757**	**10,108,349**	**13,652,963**
December 31, 2020					
Cash and cash equivalents	$ -	181,149	-	-	181,149
Financial assets measured at fair value through profit or loss－current	-	96,731	379,825	-	476,556
Financial assets at fair value through other comprehensive income－current	-	289,725	1,717,300	-	2,007,025
Financial assets measured at amortized cost	-	-	138,574	-	138,574
Receivables	627,363	9,587	-	9,313,619	9,950,569
Other receivables (note)	-	-	-	16	16
	$ 627,363	**577,192**	**2,235,699**	**9,313,635**	**12,753,889**

Note: recorded in other current assets

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f) The credit quality information

i) Changes in loss allowance of debt instruments measured at fair value through other comprehensive income

	2021					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	$ 3,692	-	-	-	3,692	3,692
Originated or purchased new financial assets	871	-	-	-	871	871
Reversal gains	(1,882)	-	-	-	(1,882)	(1,882)
Ending balance	**$ 2,681**	**-**	**-**	**-**	**2,681**	**2,681**

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	2020					
	12 month ECLs	**Lifetime ECLs (collectively assessed)**	**Lifetime ECLs (individually assessed)**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**The loss allowances measured in accordance with IFRS 9**	**Total**
Beginning balance	$ 556	-	-	-	556	556
Originated or purchased new financial assets	3,085	-	-	-	3,085	3,085
Impairment losses	51	-	-	-	51	51
Ending balance	**$ 3,692**	**-**	**-**	**-**	**3,692**	**3,692**

In 2021 and 2020, there were no significant change in the allowance loss resulting from significant changes in the total carrying amount.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Changes in loss allowance of notes and accounts receivable and other receivables

As of December 31, 2021 and 2020, the reconciliations of the beginning and ending balances for loss allowance of notes and accounts receivable and other receivables were as follows:

	2021					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	$ 64	-	-	-	64	64
Impairment losses	426	-	-	-	426	426
Ending balance	**$ 490**	**-**	**-**	**-**	**490**	**490**

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2020					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	$ 118	-	-	-	118	118
Impairment losses	836	-	-	-	836	836
The recovery of bad debts	(881)	-	-	-	(881)	(881)
Bad debts written off	(9)	-	-	-	(9)	(9)
Ending balance	**$ 64**	**-**	**-**	**-**	**64**	**64**

In 2021 and 2020, there were no significant change in the allowance loss resulting from significant changes in the total carrying amount.

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Liquidity Risk

The following tables represent the expiration date of the financial liabilities. The amounts included the estimated interest expenses but without considering the effects of the netting agreements.

	1~30 days	31~90 days	91days ~ 1 year	Over 1 year	Total
December 31, 2021					
Non derivatives financial liabilities					
Short-term loan	$ 248,895	-	-	-	248,895
Commercial paper payable	869,837	-	-	-	869,837
Bonds sold under repurchase agreements	2,471,680	350,000	-	-	2,821,680
Deposits received from securities borrowers	18,682	18,682	37,365	-	74,729
Guaranteed price deposits received from securities borrowers	20,985	20,985	41,970	-	83,940
Accounts payables	6,454,124	-	-	-	6,454,124
Collections	4,714,956	-	-	-	4,714,956
Other payables	92,267	-	-	-	92,267
Other payables－related party	241,905	-	-	-	241,905
Lease liabilities－current	905	1,781	8,045	-	10,731
Other current liabilities	250	-	-	-	250
Other non-current liabilities	-	-	-	7,506	7,506
	$ 15,134,486	**391,448**	**87,380**	**7,506**	**15,620,820**
December 31, 2020					
Non derivatives financial liabilities					
Short-term loan	$ 252,900	-	-	-	252,900
Commercial paper payable	604,902	-	-	-	604,902
Bonds sold under repurchase agreements	2,761,451	32,511	-	-	2,793,962
Deposits received from securities borrowers	48,824	48,824	97,647	-	195,295
Guaranteed price deposits received from securities borrowers	53,458	53,458	106,917	-	213,833
Accounts payables	6,724,681	-	-	-	6,724,681
Collections	846,165	-	-	-	846,165
Other payables	70,993	-	-	-	70,993
Other payables－related party	122,039	-	-	-	122,039
Lease liabilities－current	897	1,767	8,025	-	10,689
Other current liabilities	155	-	-	-	155
Lease liabilities－non-current	-	-	-	10,731	10,731
Other non-current liabilities	-	-	-	6,059	6,059
	$ 11,486,465	**136,560**	**212,589**	**16,790**	**11,852,404**

BTS does not expect the occurrence of the actual cash flow will be earlier or significantly different.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Market Risk

a) Equity securities price risk

Sensitivity analysis

Units: In Million of NTD

	Equity	Gain or loss
December 31, 2021		
Price increases 10%	48.78	88.45
Price decreases 10%	22.89	24.10

	Equity	Gain or loss
December 31, 2020		
Price increases 10%	41.74	127.23
Price decreases 10%	11.63	(16.31)

b) Interest rate risk

The overview of the financial instruments held with interest rates is as follows:

	December 31, 2021	December 31, 2020
Financial instruments with fixed rate：		
Convertible bonds	$ 401,348	380,038
Corporate bonds	2,196,409	1,855,874
Financial bonds	85,689	289,725
	$ 2,683,446	2,525,637

5) Currency Risk

	December 31, 2021		
	Foreign currency (in thousand dollars)	Exchange rate (in dollars)	NTD
Financial assets:			
Monetary items:			
USD	$ 9,356	27.655	258,745
Non-monetary item:			
USD	88	27.655	2,420
Financial liabilities:			
Monetary items:			
USD	9,001	27.655	248,926

(Continued)

	December 31, 2020		
	Foreign currency (in thousand dollars)	Exchange rate (in dollars)	NTD
Financial assets:			
Monetary items:			
USD	$ 9,296	28.100	264,411
Financial liabilities:			
Monetary items:			
USD	9,002	28.100	252,962

The currency risk mainly arises from the cash and cash equivalents, accounts receivables, financial assets measured at fair value through profit or loss-current, financial assets measured at fair value through other comprehensive income-current, financial assets measured at amortized cost and short-term debt in foreign currencies. Foreign currency difference arises from the retranslation of the report. A 1% strengthening/ weakening of the TWD against the CNY and USD at the reporting date would have increased (decreased) profit before tax by $122 thousand and $114 thousand, respectively, in 2021 and 2020. The analysis assumes that all other variables in particular interest rates remained constant.

6) Transfer of Financial Assets— Transferred Financial Assets Without Overall Derecognition

The transferred financial assets of BTS that are not qualified for de recognition in the daily operation are mainly debt securities under repurchase agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, BTS cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since BTS still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized. Analysis of financial assets that are not completely derecognized and the associated liabilities are as follows.

	December 31, 2021				
Financial assets type	Transferred financial assets book value	Financial liability book value	Transferred financial assets fair value	Financial liability fair value	Net fair value
Financial asset measured at fair value through other comprehensive income					
Issued under repurchase agreement	$ 2,059,524	2,050,098	2,059,524	2,050,098	9,426

	December 31, 2020					
Financial assets type	**Transferred financial assets book value**		**Financial liability book value**	**Transferred financial assets fair value**	**Financial liability fair value**	**Net fair value**
Financial asset measured at fair value through profit or loss						
Issued under repurchase agreement	$	11,780	10,000	11,780	10,000	1,780
Financial asset measured at fair value through other comprehensive income						
Issued under repurchase agreement		1,919,518	1,901,162	1,919,518	1,901,162	18,356

(9) Capital Management:

(a) The capital management objectives and processes

The Company's and subsidiaries' basic objective of capital management shall be in compliance with the capital requirements of the FSC and achieve the minimum statutory capital adequacy ratio. The qualified capital calculation is in accordance with regulation by competent authorities.

Maintain an optimal capital structure to respond to possible operational or economic risks, and to sustain future development of the business. The Company and subsidiaries also make appropriate and effective capital allocation to react the different capital portfolio and risk characteristics.

The Company and subsidiaries comply with the Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies and the Standards Governing the Capital Adequacy Management of Taiwan Financial Holdings and report the ratio to the authority twice a year. However, the subsidiaries shall comply with the regulations of different industries.

The Company and subsidiaries set target ratios and alarm ratios in order to react properly if the capital adequacy ratio is close to or lower than the alarm ratio.

(b) Capital adequacy ratio

December 31, 2021

Unit: %

Item Name	the financial holding company's shareholding in the subsidiary	net eligible capital	statutory capital requirement
The Company	100 %	398,026,635	432,861,696
Subsidiary BOT	100 %	327,252,413	225,280,608
Subsidiary BTS	100 %	4,125,352	1,179,564
Subsidiary BTLI	100 %	24,729,529	17,198,402
Deducted Amount	-	(436,217,621)	(432,817,621)
Subtotal		317,916,308	243,702,649
The Company's and subsidiaries' Capital Adequacy Ratio			130.45

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020

Unit: %

Item / Name	the financial holding company's shareholding in the subsidiary	net eligible capital	statutory capital requirement
The Company	100 %	377,886,230	402,281,440
Subsidiary BOT	100 %	328,668,144	230,774,514
Subsidiary BTS	100 %	3,206,081	1,180,875
Subsidiary BTLI	100 %	13,264,146	15,037,272
Deducted Amount	-	(408,110,582)	(402,210,582)
Subtotal		314,914,019	247,063,519
The Company's and subsidiaries' Capital Adequacy Ratio			127.46

Explain: 1. The numbers are accordance with the Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies.

2. The term "capital adequacy ratio of a financial holding company calculated on a consolidated basis" shall mean the Company's and subsidiaries' net eligible capital divided by the Company's and subsidiaries' statutory capital requirement.

3. Do not need to prepare the format for the first and third quarters.

(c) Financial holding company's eligible capital

December 31, 2021	
Item	**Amount**
Common stock	103,125,000
Capital instruments with Tier 1 capital	-
Other preferred stock and subordinated bonds	-
Advance receipts for common stock	-
Capital surpluses	140,260,227
Legal reserve	9,259,392
Special reserve	56,150,735
Cumulative gain or loss	25,568,304
Other equity	63,662,977
Reduce：Goodwill and other intangible assets	-
Reduce：Deferred assets	-
Reduce：Treasury stocks	-
Total qualifying capital	398,026,635

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020	
Item	**Amount**
Common stock	103,125,000
Capital instruments with Tier 1 capital	-
Other preferred stock and subordinated bonds	-
Advance receipts for common stock	-
Capital surpluses	140,260,227
Legal reserve	8,527,130
Special reserve	51,757,163
Cumulative gain or loss	18,389,278
Other equity	55,827,432
Reduce：Goodwill and other intangible assets	-
Reduce：Deferred assets	-
Reduce：Treasury stocks	-
Total qualifying capital	377,886,230

Explain: 1. The numbers are accordance with the Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies.
2. No need to prepare the format for the first and third quarters.

(10) Related-party Transactions:

(a) Name of related party and relationship

Name	Relationship
Hua Nan Financial Holdings Co., Ltd. and its subsidiaries	Investee company of BOT and BTLI under the equity method
Tang Eng Iron Works Co., Ltd.	Investee company of BOT under the equity method
Tai Yi Real Estate Management Co., Ltd.	Investee company of BOT under the equity method
Taiwan Business Bank Co., Ltd	Related-Party
Land Bank Of Taiwan	Related-Party
The Export-Import Bank of the Republic of China	Related-Party
Cathy United Bank	Related-Party
Chang Hwa Commercial Bank	Related-Party
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

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Key management personnel compensation

(i) The related information about the salaries and bonus for the key management personnel in 2021 and 2020 were as follows:

	2021	2020
Short-term employee benefits	$ 52,604	52,066
Retired benefits	684	636
	$ 53,288	52,702

(c) Other related-party transactions

(i) Placement with banks

	December 31, 2021		December 31, 2020	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	$ 244,856	0.17	1,068,607	0.61

(ii) Bank deposits

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

(iii) Call loans to banks

	December 31, 2021			
	Highest balance	Ending balance	Interest 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 balance	Interest rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	$ 10,216,070	3,437,000	0.12~3.25	36,207

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Guarantee deposits and margins paid (recognized as other assets)

Name	Summary	December 31, 2021	December 31, 2020
Hua Nan Financial Holdings Co., Ltd.	Housing deposits	$ 160	160

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

	December 31, 2021			
	Highest balance	Ending balance	Interest rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	$ 17,503,350	1,659,300	0.01～2.70	2,736

	December 31, 2020			
	Highest balance	Ending balance	Interest rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	$ 13,215,700	927,300	0.10~2.90	6,449

The lending rates for the related party have no difference with the others.

(vi) Deposits

	December 31, 2021		December 31, 2020	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
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	$ 354,080	0.01	502,027	0.01

The deposits rates for the above related parties are calculated using the board rates and the conditions are not different from the others.

(vii) Receivables

Name	Summary	December 31, 2021	December 31, 2020
Hua Nan Financial Holdings Co., Ltd.	Interest revenue	$ -	4

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Financial assets at fair value through profit or loss/Financial assets measured at fair value through other comprehensive income

Name	Summary	December 31, 2021	December 31, 2020
Hua Nan Financial Holdings Co., Ltd.	Financial bonds (recorded in the Financial assets at fair value through profit or loss)	$ 2,000,000	2,000,000
	Valuation adjustment	(49,531)	91,278
	Carrying amount	$ 1,950,469	2,091,278
	Interest receivable	$ 22,685	22,685

The interest income for the year ended 2021 and 2020 derived from the BTLI's financial bond investment on related party are $45,000 thousand and $58,329 thousand.

(ix) Loans

December 31, 2021							
Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and non related parties
				Performing loans	Non-performing loans		
Consumer loans	41 households	20,778	15,772	15,772	-	None	None
House mortgages	252 households	1,115,504	914,777	914,777	-	Land and buildings	None
Call loans to banks	Land Bank of Taiwan Co., Ltd.	16,202,180	7,445,260	7,445,260	-	None	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	11,624,000	6,825,270	6,825,270	-	None	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	5,111,665	4,291,665	4,291,665	-	None	None
Call loans to banks	Cathy United Bank Co., Ltd.	10,000,000	-	-	-	None	None
Call loans to banks	The Export Import Bank of the Republic of China	1,050,000	-	-	-	None	None
Call loans to banks	Chang Hwa Commercial Bank	10,296,500	242,840	242,840	-	None	None
Call loans to banks	United Taiwan Bank	320,275	41,483	41,483	-	None	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	221,495	138,982	138,982	-	Land and factory	None
Short term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	100,000	100,000	-	Land and factory	None
Short term secured loans	Tang Eng Iron Works Co., Ltd.	2,123,637	1,500,000	1,500,000	-	Land and factory	None
Medium term secured loans	Tang Eng Iron Works Co., Ltd.	1,700,000	1,700,000	1,700,000	-	Land and factory	None
Short term secured loans	Central Pictures Corporation	950,000	950,000	950,000	-	Land and factory	None
Medium term secured loans	Central Pictures Corporation	3,000,000	3,000,000	3,000,000	-	Land and factory	None
Medium term secured loans	Central Pictures Corporation	1,000,000	1,000,000	1,000,000	-	Land and factory	None

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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December 31, 2020							
Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and non related parties
				Performing loans	Non-performing loans		
Consumer loans	33 households	16,997	11,392	11,392	-	None	None
House mortgages	212 households	869,019	764,252	764,252	-	Land and buildings	None
Call loans to banks	Land Bank of Taiwan Co., Ltd.	12,624,650	7,624,650	7,624,650	-	None	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	1,405,000	1,405,000	1,405,000	-	None	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	3,520,500	2,958,500	2,958,500	-	None	None
Call loans to banks	Cathy United Bank Co., Ltd.	1,124,000	1,124,000	1,124,000	-	None	None
Call loans to banks	The Export Import Bank of the Republic of China	2,550,000	-	-	-	None	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	16,430	-	-	-	Land and factory	None
Short term secured loans	Tang Eng Iron Works Co., Ltd.	1,467,281	900,000	900,000	-	Land and factory	None
Medium term secured loans	Tang Eng Iron Works Co., Ltd.	1,300,000	100,000	100,000	-	Land and factory	None

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.

(x) Short-term borrowings

	December 31, 2021			
	Highest balance	Ending balance	Interest rate range (%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	$ 800,000	-	0.280%	41

	December 31, 2020			
	Highest balance	Ending balance	Interest rate range (%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	$ 840,000	-	0.300%	86

(xi) Payables

Name	Summary	December 31, 2021	December 31, 2020
Hua Nan Financial Holdings Co., Ltd.	Agent fee	$ 30	28

(xii) Commission expenses

Name	Nature	2021	2020
Hua Nan Financial Holdings Co., Ltd.	Agent fee	$ 397	815

(xiii) Service charges

Name	Nature	2021	2020
Hua Nan Financial Holdings Co., Ltd.	Securities trading, remittance fee and insurance agent fee	$ 88	364

(xiv) Other operating expenses

Name	Nature	2021	2020
Hua Nan Financial Holdings Co., Ltd.	Business expense	$ 946	946
Hua Nan Financial Holdings Co., Ltd.	Insurance fee and service charge	12	19
Total		$ 958	965

(xv) The Company and subsidiaries have no different in transaction price between related party and non-related party.

(d) Information on related party transactions amounting to more than $100,000 thousand:

Since the related-party transactions had been offset when the Company prepared the consolidated financial statements, only one of the consolidated parties needs to disclose its related-party transaction.

The company and subsidiaries have no different in transaction price between related party and non-related party.

(i) The subsidiary, BOT

1) Name of related party and relationship

Name	Relationship
Taiwan Financial Holding Co., Ltd.	Holding company of BOT
BankTaiwan Life Insurance Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holdings

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Name	Relationship
BankTaiwan Securities Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holdings
Hua Nan Financial Holdings Co., Ltd. and its subsidiaries	Investee company of BOT under the equity method
Tang Eng Iron Works Co., Ltd.	Investee company of BOT under the equity method
Tai Yi Real Estate Management Co., Ltd.	Investee company of BOT under the equity method
Taiwan Business Bank Co., Ltd	Related- Party
Land Bank of Taiwan Co., Ltd	Related- Party
The Export-Import Bank of The ROC Co., Ltd	Related- Party
Cathy United Bank	Related- Party
Chang Hwa Commercial Bank	Related- Party
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

2) Other related party transactions

a) Call loans to banks

	December 31, 2021			
	Highest balance	Ending balance	Interest 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 balance	Interest rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	$ 10,216,070	3,437,000	0.12~3.25	36,207

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b) Other assets

Name	December 31, 2021 Amount	December 31, 2021 Percentage of account balance	December 31, 2020 Amount	December 31, 2020 Percentage of account balance
Taiwan Financial Holding Co., Ltd.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

c) Securities lending (classified as other financial assets)

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

d) Deposits of banks

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

e) Call loans from banks (recorded in Deposit of Central Bank and Other Bank)

	December 31, 2021 Highest balance	Ending balance	Interest rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	$ 17,503,350	1,659,300	0.01～2.70	2,736

	December 31, 2020 Highest balance	Ending balance	Interest rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	$ 13,215,700	927,300	0.10~2.90	6,449

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

f) Deposits

	December 31, 2021		December 31, 2020	
	Account	Percentage of account balance	Account	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	$ 866,780	0.02	1,056,093	0.03
BankTaiwan Life Insurance Co., Ltd.	7,246,429	0.17	8,587,023	0.21
BankTaiwan 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	$ 13,336,157	0.32	11,136,652	0.27

g) Interest income

	2021		2020	
	Account	Percentage of account balance	Account	Percentage of account balance
Taiwan Financial Holdings	$ 204,199	0.42	166,428	0.31
BankTaiwan Securities Co., Co., Ltd.	508	-	675	-
Total	$ 204,707	0.42	167,103	0.31

h) Service fee income

	2021		2020	
	Account	Percentage of account balance	Account	Percentage of account balance
BankTaiwan Life Insurance Co., Ltd.	$ 393,182	7.44	391,035	7.02
BankTaiwan Securities Co., Ltd.	10,116	0.19	4,998	0.09
Total	$ 403,298	7.63	396,033	7.11

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	2021		2020	
	Account	Percentage of account balance	Account	Percentage of account balance
BankTaiwan Life Insurance Co., Ltd.	$ 76,446	0.15	396,750	0.70
BankTaiwan Securities Co., Ltd.	(873)	-	(2,499)	-
Total	$ 75,573	0.15	394,251	0.70

j) Loans

December 31, 2021							
Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Status of performance: Performing loans	Status of performance: Non-performing loans	Type of collateral	Differences in transaction terms between related and non related parties
Consumer loans	41 households	20,778	15,772	15,772	-	None	None
House mortgages	252 households	1,115,504	914,777	914,777	-	Land and buildings	None
Call loans to banks	Land Bank of Taiwan Co., Ltd.	16,202,180	7,445,260	7,445,260	-	None	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	11,624,000	6,825,270	6,825,270	-	None	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	5,111,665	4,291,665	4,291,665	-	None	None
Call loans to banks	Cathy United Bank Co., Ltd.	10,000,000	-	-	-	None	None
Call loans to banks	The Export Import Bank of the Republic of China	1,050,000	-	-	-	None	None
Call loans to securities company	BankTaiwan Securities Co.,	285,050	248,895	248,895	-	None	None
Call loans to banks	Chang Hwa Commercial Bank	10,296,500	242,840	242,840	-	None	None
Call loans to banks	United Taiwan Bank	320,275	41,483	41,483	-	None	None
Short-term loans	Taiwan financial Holding Co., Ltd.	35,000,000	35,000,000	35,000,000	-	None	None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	500,000	-	-	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	221,495	138,982	138,982	-	Land and factory	None
Short term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	100,000	100,000	-	Land and factory	None
Short term secured loans	Tang Eng Iron Works Co., Ltd.	2,123,637	1,500,000	1,500,000	-	Land and factory	None
Medium term secured loans	Tang Eng Iron Works Co., Ltd.	1,700,000	1,700,000	1,700,000	-	Land and factory	None
Short term secured loans	Central Pictures Corporation	950,000	950,000	950,000	-	Land and factory	None
Medium term secured loans	Central Pictures Corporation	3,000,000	3,000,000	3,000,000	-	Land and factory	None
Medium term secured loans	Central Pictures Corporation	1,000,000	1,000,000	1,000,000	-	Land and factory	None

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020							
Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Status of performance: Performing loans	Status of performance: Non-performing loans	Type of collateral	Differences in transaction terms between related and non related parties
Consumer loans	33 households	16,997	11,392	11,392	-	None	None
House mortgages	212 households	869,019	764,252	764,252	-	Land and buildings	None
Call loans to banks	Land Bank of Taiwan Co., Ltd.	12,624,650	7,624,650	7,624,650	-	None	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	1,405,000	1,405,000	1,405,000	-	None	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	3,520,500	2,958,500	2,958,500	-	None	None
Call loans to banks	Cathy United Bank Co., Ltd.	1,124,000	1,124,000	1,124,000	-	None	None
Call loans to banks	The Export Import Bank of the Republic of China	2,550,000	-	-	-	None	None
Call loans to securities company	BankTaiwan Securities Co., Ltd.	252,900	252,900	252,900	-	None	None
Short-term loans	Taiwan financial Holding Co., Ltd.	25,200,000	24,600,000	24,600,000	-		None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	550,000	-	-	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	16,430	-	-	-	Land and factory	None
Short term secured loans	Tang Eng Iron Works Co., Ltd.	1,467,281	900,000	900,000	-	Land and factory	None
Medium term secured loans	Tang Eng Iron Works Co., Ltd.	1,300,000	100,000	100,000	-	Land and factory	None

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.

k) Derivative instruments

December 31, 2021						
Name of relative party	Subject	Agreement period	Notional amounts	Current valuation adjustment	Balance sheet: Account name	Balance sheet: Amount
BankTaiwan Life Insurance Co., Ltd.	Swap agreement	2019.08.19~ 2022.12.22	24,708,969	2,640	Valuation adjustment of financial assets measured at fair value through profit or loss - swap	(235,882)

December 31, 2020						
Name of relative party	Subject	Agreement period	Notional amounts	Current valuation adjustment	Balance sheet: Account name	Balance sheet: Amount
BankTaiwan Life Insurance Co., Ltd.	Swap agreement	2017.08.04~ 2021.08.12	35,410,361	(142,618)	Valuation adjustment of financial assets measured at fair value through profit or loss - swap	(688,893)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) The subsidiary, BTLI

1) Name of related party and relationship

Name	Relationship
Taiwan Financial Holding Co., Ltd.	Holding company of BTLI
Bank of Taiwan Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holdings
BankTaiwan Securities Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holdings
BankTaiwan Insurance Brokers Co., Ltd	Wholly-owned subsidiary of BOT
Hua Nan Financial Holdings Co., Ltd. and its subsidiaries	Investee company of BOT and BTLI under the equity method
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and so on

2) Other related party transactions

a) Secured loans

The real estate secured loans to the directors, supervisors, general manager, vice general manger, employees with credit amounts, their spouses and their first or second degree relatives on December 31, 2021 and 2020 are as follows:

Name	December 31, 2021	December 31, 2020
Real estate secured loans	$ 93,137	113,216
Interest receivables	$ 52	38

All interest rate collars on December 31, 2021 and 2020 are 0.570%~1.407% and 0.570%~1.410%, respectively.

b) Bank deposits

The bank deposits in the related banks and the relevant interest revenues on December 31, 2021 and 2020 were as follows:

		December 31, 2021		December 31, 2020	
Name	Account	Amount	Percentage of account balance	Amount	Percentage of account balance
Bank of Taiwan Co., Ltd	Bank deposits	$ 8,377,463	33.90	10,086,094	20.04
Hua Nan Financial Holdings	Bank deposits	244,599	0.99	1,068,309	2.12
Total		$ 8,622,062		11,154,403	

The relevant interest revenues of the subsidiary, BTLI, in 2021 and 2020 were $6,537 thousand and $18,879 thousand, respectively.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) Current tax assets

Name	Summary	December 31, 2021	December 31, 2020
Taiwan Financial Holdings	Refundable tax	$ 762,716	1,360,098

d) Financial assets at fair value through profit or loss/Financial assets measured at fair value through other comprehensive income

Name	Summary	Transactions	December 31, 2021	December 31, 2020
Hua Nan Financial Holdings Co., Ltd.	Financial bonds (recorded in the Financial assets at fair value through profit or loss)	Cost	$ 2,000,000	2,000,000
		Valuation adjustment	(49,531)	91,278
		Carrying amount	$ 1,950,469	2,091,278
		Interest receivables	$ 22,685	22,685

Both of the interest revenues from the aforementioned financial bonds in 2021 and 2020 are $45,000 thousand and $58,329 thousand, respectively.

e) Derivatives

December 31, 2021						
					Balance sheet	
Name of relative party	Subject	Agreement period	Notional amounts	Current valuation adjustment	Account name	Amount
Bank of Taiwan Co., Ltd.	Swap agreement	2021.02.19~ 2022.12.20	USD 886,000	(13,142)	Valuation adjustment on financial assets designated as at fair value through profit or loss	235,949
			USD -	10,568	Valuation adjustment of financial liabilities designated as at fair value through profit or loss	-

December 31, 2020						
					Balance sheet	
Name of relative party	Subject	Agreement period	Notional amounts	Current valuation adjustment	Account name	Amount
Bank of Taiwan Co., Ltd.	Swap agreement	2020.05.06~ 2021.11.12	USD 1,236,000	7,677	Valuation adjustment on financial assets designated as at fair value through profit or loss	689,100
			USD -	135,148	Valuation adjustment of financial liabilities designated as at fair value through profit or loss	-

(Continued)

f) Loss on disposal of investments

Name	Summary	2021	2020
Bank of Taiwan	Loss on disposal of investment	$ 73,816	539,368

Both of the gains (losses), including exchange losses on disposed of derivative investment with related party in 2021 and 2020, amounted to $594,275 thousand and $2,285,440 thousand, respectively.

g) Commission fees expense

Name	Summary	2021	2020
Bank of Taiwan Co., Ltd	Sales charge	$ 5	14
BankTaiwan Insurance Brokers Co., Ltd	Agent fee	333,845	331,892
Hua Nan Financial Holding	Agent fee	397	815
Total		$ 334,247	332,721

(iii) The subsidiary, BTS

1) Name of related party and relationship

Name	Relationship
Taiwan Financial Holding Co., Ltd.	Holding company of BTS
Bank of Taiwan Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holdings
BankTaiwan Life Insurance Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holdings
BankTaiwan Insurance Brokers Co., Ltd	Wholly-owned subsidiary of BOT
Hua Nan Financial Holdings Co., Ltd. and its subsidiaries	Investee company of BOT and BTLI under the equity method
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and so on

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Other related party transactions

a) Bank deposits

The bank deposits in the Bank of Taiwan on December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 84,751	116,088
Operation guarantee deposits (recorded in other current assets)	80,000	30,000
Amounts awaiting delivery (recorded in other current assets)	7,042	18,291
Collections for underwriting stock value (recorded in other current assets)	4,697,071	827,126
Collections for warrant exercise (recorded in other current assets)	4	4
	$ 4,868,868	**991,509**

The bank deposits in the Hua Nan Financial Holdings on December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	**$ 257**	**298**

The interest revenues from the deposits in the Bank of Taiwan on December 31, 2021 and 2020 were $336 thousand and $404 thousand, respectively.

b) Advance payment

Name	Summary	December 31, 2021	December 31, 2020
Taiwan Financial Holding Co., Ltd.	Prepaid dividends	$ 129,825	$ 95,465
Bank of Taiwan Co., Ltd	Prepaid expenses	1	1
		$ 129,826	**95,466**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) Short-term loans borrowings

	December 31, 2021				
			Interest rate range (%)		Interest
Name	Highest balance	Ending balance	NTD	Foreign currency	expense, net
Bank of Taiwan Co., Ltd	$ 785,050	**248,895**		0.240%~0.290%	**508**
Hua Nan Financial Holdings Co., Ltd.	800,000	**-**	0.280%	-	**41**

	December 31, 2020				
			Interest rate range (%)		Interest
Name	Highest balance	Ending balance	NTD	Foreign currency	expense, net
Bank of Taiwan Co., Ltd	$ 802,900	**252,900**	-	0.420%~0.460%	**675**
Hua Nan Financial Holdings Co., Ltd.	$ 840,000	**-**	0.300%	-	**86**

d) Accounts payables-related party(accounted in Accounts payables) and other payables-related party

Name	Summary	December 31, 2021	December 31, 2020
Taiwan Financial Holding Co., Ltd.	Payables to related party for allocation under the linked-tax system	$ 241,905	122,039
Bank of Taiwan Co., Ltd	Interest payables	31	62
Total		**$ 241,936**	**122,101**

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(11) Pledged Assets:

The carrying amounts of the pledged assets offered by the Company and subsidiaries are as follows:

(a) Parent company-Taiwan Financial Holding Co., Ltd.: None.

(b) The subsidiary, BOT

Pledged assets	Purpose of pledge	December 31, 2021	December 31, 2020
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	405,990
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
		$ 102,025,260	**81,995,470**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) The subsidiary, BTLI

Pledged assets	Purpose of pledge	December 31, 2021	December 31, 2020
Government bonds (accounted in refundable deposits)	Operating guarantee	$ 6,706,640	5,441,313
Cash (accounted in refundable deposits)	Lease guarantee	2,057	2,709
Cash (accounted in refundable deposits)	Futures exchange guarantee	54,031	54,026
		$ 6,762,728	5,498,048

(d) The subsidiary, BTS

Pledged assets	Purpose of pledge	December 31, 2021	December 31, 2020
Property and Equipment－Land	Short-term borrowings	$ 379,309	379,309
Property and Equipment－Building	Short-term borrowings	65,365	67,024
		$ 444,674	446,333

(12) Commitments and Contingencies:

(a) Commitments and contingencies

(i) Commitments and contingencies of the subsidiary, BOT

	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
	$ 7,422,847,070	7,435,884,976

(Continued)

(ii) Commitments and contingencies of the subsidiary, BTLI

The contract guarantees on behalf of counter parties of the subsidiary, BTLI, are $4,538 thousand and $5,978 thousand on December 31, 2021 and 2020, respectively.

(iii) Commitments and contingencies of the subsidiary, BTS

The subsidiary, BTS, had several proxy delivery agreements with certain securities companies. In accordance with these agreements, the companies have agreed to be BTS's first and second proxy. If BTS is unable to fulfill its obligation to the TSE, the proxies must then act pursuant to said obligations and responsibilities.

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

Disclosures in accordance with the Article 17 of the Enforcement Rules of the Trust Enterprise Act are as follows:

Trust assets	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Deposits				
Deposits in BOT	$ 28,220,454	4	26,397,242	4
Deposits in other banks	56,430	-	2,678	-
Short term investments				
Investment in funds	153,482,716	22	154,052,922	24
Investment in bonds	311,437,613	44	283,839,910	43
Common stock investments–marketable securities	57,721,529	8	51,167,835	8
Receivables				
Interest receivables	2,010,992	-	2,010,872	-
Cash dividend receivables	3,120	-	2,975	-
Receivables from trading securities	259,893	-	1,815,147	-
Receivables from forward contracts	402,194	-	1,157,610	-
Real estate				
Land	31,423,360	4	20,752,015	3
Buildings	209,912	-	203,384	-
Construction in progress	7,949,758	1	9,616,090	2
Marketable securities under custody	123,920,364	17	106,818,559	16
Total of trust assets	$ 717,098,335	100	657,837,239	100

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Trust liabilities		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Payables					
Payables from trading securities	$	157,243	-	97,584	-
Payables from forward contracts		401,800	-	1,190,750	-
Payables from management fee		2,896	-	4,697	-
Payables from supervision fee		563	-	551	-
Other payables		753	-	741	-
Tax payables		23	-	37	-
Securities held in custody payables		123,920,364	17	106,818,559	16
Trust capital					
Money trust		407,618,076	57	392,188,665	60
Marketable securities trust		255,357	-	241,020	-
Real estate investment trust		41,390,178	6	32,973,760	5
Other reserve and accumulated income					
Accumulated loss		139,845,820	19	129,238,423	20
Foreign currency translation		(24,531,365)	(3)	(25,828,514)	(4)
Deferred unrealized income		2,036,130	-	(213,437)	-
Net Income		26,000,497	4	21,124,403	3
Total of trust liabilities	$	**717,098,335**	**100**	**657,837,239**	**100**

Notes: The funds invested by the OBU branch of the subsidiary, BOT, are included. The amounts as of December 31, 2021 and 2020 are $342,239 thousand and $313,872 thousand, respectively.

Details of trust		December 31, 2021	December 31, 2020
Deposits			
Deposits in BOT	$	28,220,454	26,397,242
Deposits in other banks		56,430	2,678
Short term investments			
Investment in funds		153,482,716	154,052,922
Investment in bonds		311,437,613	283,839,910
Common stock investments– 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	$	**714,422,136**	**652,850,635**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Income statement for assets under trust	2021	2020
Trust revenues		
Capital interest revenues	$ 11,552,812	11,436,071
Cash dividend revenues	992,983	1,374,915
Donation revenues	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 revenues	61	-
Total trust revenues	27,065,361	22,918,315
Trust expenses		
Capital management fee	473,065	481,523
Tax expenses	4,568	3,793
Supervisory fee	1,004	1,013
Storage fee	15,720	14,398
Commission fee	22	196
Donation costs	549,594	771,081
Unrealized capital loss– shares	-	391,720
Realized foreign exchange losses	3,528	104,619
Other expenses	17,363	25,569
Total trust expenses	1,064,864	1,793,912
Net income	**$ 26,000,497**	**21,124,403**

(13) Profitability:

(a) The Company

Unit: %

Item		December 31, 2021	December 31, 2020
Return on Assets (note 6)	pre-tax	4.66	3.71
	after-tax	4.69	3.71
Return on Equity (Note 8)	pre-tax	5.04	3.96
	after-tax	5.08	3.97
Profit Margin		99.83	98.28

(Continued)

(b) The Company and subsidiaries

Unit: %

Item		December 31, 2021	December 31, 2020
Return on Assets (note 7)	pre-tax	0.39	0.28
	after-tax	0.36	0.28
Return on Equity (note 8)	pre-tax	5.39	3.85
	after-tax	5.08	3.97
Profit Margin		14.03	7.07

(c) The subsidiary, BOT

Unit: %

Item		December 31, 2021	December 31, 2020
Return on Assets (note 7)	pre-tax	0.42	0.38
	after-tax	0.39	0.36
Return on Equity (note 8)	pre-tax	5.34	4.80
	after-tax	4.92	4.58
Profit Margin		39.14	33.73

(d) The subsidiary, BTLI

Unit: %

Item		December 31, 2021	December 31, 2020
Return on Assets	pre-tax	(0.15)	(0.92)
	after-tax	(0.05)	(0.61)
Return on Equity	pre-tax	(3.45)	(24.24)
	after-tax	(1.10)	(15.91)
Profit Margin		(1.30)	(7.37)

(e) The subsidiary, BTS

Unit: %

Item		December 31, 2021	December 31, 2020
Return on Assets	pre-tax	5.63	3.24
	after-tax	4.77	2.75
Return on Equity	pre-tax	23.37	11.69
	after-tax	19.79	9.89
Profit Margin		56.06	41.21

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 1: Return on assets=Income before (after) income tax/Average total assets.

Note 2: Return on Shareholder's Equity=Income before (after) income tax/Average equity.

Note 3: Profit margin=Income after income tax/Net revenues.

Note 4: Income before (after) income tax is the income for the whole year.

Note 5: The above profitability ratios are at annual rates.

Note 6: Return on total assets is calculated by the pre-tax or after-tax earnings, plus, excess preferential interest expense.

Note 7: The return on total assets of the Company and subsidiaries are the pre-tax or after-tax earnings, plus, the excess preferential interest expense divided by the assets, less, the temporary advances and the total assets of the Government employees' department's.

Note 8: Return on equity is calculated by pre-tax or after-tax earnings, plus, excess favorable interest expense.

(14) Losses Due to Major Disasters:None

(15) Specific Inherent Risks in Operating as Futures Dealer:None

(16) Other:

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

By function / By nature	2021 Operating costs	2021 Operating expenses	2021 Total	2020 Operating costs	2020 Operating expenses	2020 Total
Employee benefits						
Salary	63,801	12,896,871	12,960,672	67,633	12,636,579	12,704,212
Labor and health insurance	118,770	625,989	744,759	108,362	583,505	691,867
Pension	3,139	1,110,596	1,113,735	3,425	1,053,933	1,057,358
Director and supervisor compensation payment	-	8,041	8,041	-	8,274	8,274
Others	-	268,104	268,104	-	273,482	273,482
Depreciation	131,217	1,510,538	1,641,755	128,636	1,388,483	1,517,119
Amortization	-	398,612	398,612	-	367,515	367,515

The number of employees in 2021 and 2020 were 9,067 and 9,103, respectively.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Government audit adjustments for fiscal year ended 2020

The accounting records as at and for the year ended 2020, have been audited and examined by the MoA, and the resulting adjustments were summarized as follows:

The Company and subsidiaries

Balance Sheet		As Previously Reported December 31, 2020	Adjustments －Increase (Decrease)	As Audited by the MoA, December 31, 2020
Assets				
Cash and cash equivalents	$	175,441,965	(12,708)	175,429,257
Financial assets measured at fair value through profit or loss		364,358,784	29,329	364,388,113
Receivables, net		69,627,814	19,756	69,647,570
Debt investments measured at amortized cost		449,156,973	5,646,548	454,803,521
Current income tax assets		3,622,676	384	3,623,060
Investments under equity method, net		48,406,366	37	48,406,403
Property and equipment, net		141,381,200	(41)	141,381,159
Deferred tax assets		5,154,391	(8,241)	5,146,150
Other assets, net		21,799,323	(5,663,169)	16,136,154
Liabilities				
Current income tax liabilities		1,218,405	(5,431)	1,212,974
Other liabilities		12,316,639	19,756	12,336,395
Equity				
Unappropriated retained earnings		18,389,278	173	18,389,451
Other equity		55,827,433	(2,603)	55,824,830

Income statement		As Previously Reported 2020	Adjustments －Increase (Decrease)	As Audited by the MoA, 2020
Interest income	$	64,396,419	801	64,397,220
Share of profit of associates and joint ventures accounted for using equity method		2,031,735	37	2,031,772
Depreciation and amortization expenses		(1,755,957)	(41)	(1,755,998)
Net income before income tax		8,537,155	797	8,537,952
Income tax expenses		457,776	(624)	457,152
Net income		8,994,931	173	8,995,104

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Taiwan Financial Holding

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			
Investments under equity method, net	$ 402,210,582	(2,430)	402,208,152
Equity			
Unappropriated retained earnings	18,389,278	173	18,389,451
Other equity	55,827,433	(2,603)	55,824,830

Income statement	As Previously Reported 2020	Adjustments －Increase (Decrease)	As Audited by the MoA, 2020
Share of profit of associates and joint ventures accounted for using equity method	$ 9,328,317	173	9,328,490
Net income before income tax	8,986,692	173	8,986,865
Income tax benefits	8,239	-	8,239
Net income	8,994,931	173	8,995,104

Revised entries by the MoA in 2020 were as follows:

Item	Adjustment accounts	Amount revised by the MoA		Explanation of revision by the MoA
1.	Other equity	$ 2,603		Adjusted Investment accounted for using equity method by amendment.
	Share of profit (loss) of associates and joint ventures accounted for using equity method		173	
	Investments under equity method, net		2,430	

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Bank of Taiwan

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			
Deferred tax liabilities	1,096,367	(5,431)	1,090,936
Equity			
Unappropriated retained earnings	22,802,920	170	22,803,090
Other equity	54,733,582	(2,603)	54,730,979

Income statement	As Previously Reported 2020	Adjustments —Increase (Decrease)	As Audited by the MoA, 2020
Interest revenue	$ 54,051,970	798	54,052,768
Share of profit 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)
Net income before income tax	12,342,611	794	12,343,405
Income tax expense	(827,431)	(624)	(828,055)
Net income	11,515,180	170	11,515,350

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Revised entries by the MoA in 2020 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 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 liabilities	$ 381		MoA adjusted taxable income.
	Income tax expense	626		
	Deferred income tax assets		1,007	

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

BankTaiwan Life Insurance

The accounting records as at and for the year ended 2020, have been auditred and examined by the MoA, and the resulting adjustments were 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	$ 1,360,095	3	1,360,098
Equity			
Accumulated deficit	(21,509,356)	3	(21,509,353)

Income statement	As Previously Reported 2020	Adjustments —Increase (Decrease)	As Audited by the MoA, 2020
Interest income	$ 10,395,960	3	10,395,963
Net loss before income taxes	(3,922,126)	3	(3,922,123)
Net loss	(2,574,587)	3	(2,574,584)

Revised entries by the MoA in 2020 were as follows:

Item	Adjustment accounts	Amount revised by the MoA		Explanation of revision by the MoA
1.	Current income tax assets—income tax refund	$ 3		Adjusted interest revenues.
	Interest income		3	

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	**$ 453,720,368**	**399,405,876**

	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	**$ 453,720,368**	**399,405,876**

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Income statements

	Government employees' insurance department	
	2021	**2020**
Net interest income	$ 1,627,690	2,305,583
Service fee expenses	(16,017)	(28,432)
Gains (losses) on financial assets and liabilities at fair value through profit or loss	48,089,400	52,303,816
Foreign exchange gains (losses)	(3,362,802)	(6,318,070)
Impairment loss of assets	1,956	2,737
Premium income	23,627,599	23,623,153
Government subsidy	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 expenses	(88,973)	(91,714)
Miscellaneous revenues	23,302	10,498
Net revenues	172,620	164,060
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
	170,178	164,597
Net income	$ -	-

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)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Financial information classified by business type

2021

Items \ Businesses	Banking business	Insurance business	Securities business	Government insurance	Other operations	Total
Net interest income	27,814,098	10,434,244	175,634	1,627,690	-	40,051,666
Non-interest income, net	10,288,539	7,167,536	1,410,654	53,031,690	(9,584)	71,888,835
Net revenues	38,102,637	17,601,780	1,586,288	54,659,380	(9,584)	111,940,501
Bad debt expenses and reserve for guarantees	(258,807)	15,241	(1,703)	(2,442)	-	(247,711)
Provisions	-	(16,890,028)	-	(54,486,760)	-	(71,376,788)
Operating expenses	(21,603,136)	(981,103)	(501,882)	(170,178)	(148,775)	(23,405,074)
Net income before income tax	16,240,694	(254,110)	1,082,703	-	(158,359)	16,910,928
Income tax expenses	(1,681,954)	479,983	(159,523)	-	152,432	(1,209,062)
Net income	14,558,740	225,873	923,180	-	(5,927)	15,701,866

2020

Items \ Businesses	Banking business	Insurance business	Securities business	Government insurance	Other operations	Total
Net interest income	25,036,125	10,377,105	120,348	2,305,583	-	37,839,161
Non-interest income, net	7,901,124	25,292,608	825,822	55,297,350	(11,243)	89,305,661
Net revenues	32,937,249	35,669,713	946,170	57,602,933	(11,243)	127,144,822
Bad debt expenses and reserve for guarantees	(310,626)	3,921	(1,518)	537	-	(307,686)
Provisions	-	(37,925,778)	-	(57,438,873)	-	(95,364,651)
Operating expenses	(21,275,783)	(908,089)	(450,382)	(164,597)	(135,682)	(22,934,533)
Net income before income tax	11,350,840	(3,160,233)	494,270	-	(146,925)	8,537,952
Income tax expenses	(828,055)	1,347,539	(70,571)	-	8,239	457,152
Net income	10,522,785	(1,812,694)	423,699	-	(138,686)	8,995,104

(e) There were cross-selling products between the subsidiaries. The subsidiary which offers products to the consigned subsidiary, will incur commission expenses in accordance to the product sold. Please refer to note 10 for further information.

(f) Internal control of corporate governance

(i) The board of directors: The board of directors complies with laws, regulations, articles of incorporation, and the resolutions of the shareholders' meetings of the company. In addition, they supervises and the management of the company, and are responsible for the Company's overall operations. In accordance with the Article 26-3 of the Securities and Exchange Act, and the Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, the Company's establishes its own Rules and Procedures for the Meeting of the Board of Directors. The agenda of the board meetings, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the aforementioned rules. The board of directors of company shall meet at least once every month. Board members shall be concerned with protecting the rights and interests of shareholders, conduct corporate affairs faithfully and act with the care of a good administrator, exercising their powers with a high degree of prudence and self-discipline.

(ii) Audit committees: The main function of the Audit Committee is to supervise the following matters: fair presentation of the financial reports of this Corporation; the hiring (and dismissal), independence and the performance of certificated public accountants; the effective implementation of the internal control system; compliance with relevant laws and regulations; management of the existing or potential risks of this Corporation. Moreover, the audit committee charter is established by referring to the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies to improve operating efficiency and corporate governance. The audit committees of the Company shall meet at least once every quarter to ensure the credibility of corporate governance and information transparency.

(iii) In order to establish a good system of corporate governance, fulfill the responsibility of business operation and protect the legitimate rights and interests of shareholders and other parties, the Company considered its organizational structure and operating activities and referred to the Article 51 of the Financial Holding Company Act and the Article 4 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries to establish the internal control system.

1) Internal controls: The basic objectives of internal controls of a financial holding company or banking business are to promote sound operations and, through joint compliance by the board of directors, management, and all personnel, to reasonably ensure that the following objectives are achieved:

a) Effectiveness and efficiency of operations;

b) Reliability, timeliness, transparency and compliance of reporting; and

c) Compliance with applicable rules and regulations.

2) Internal audit: the Company sets up an internal audit unit that is directly subsidiary to the board of directors. The unit is required to report its audit business to the board of directors or audit committee at a minimum period of every six months.

3) Legal compliance: the Company sets up a compliance unit under the General President to take charge of the planning, management, and execution of the regulatory compliance system. Another high level manager shall also be assigned to act as the chief compliance officer for the head office to conduct the compliance affairs. The officer should make a report to the board of directors or the audit committee at least semiannually.

4) Risk Management Mechanism: the Company formulates adequate risk management policies and procedures and establishes operationally independent and effective risk management mechanisms, by which to assess and monitor the respective risk-bearing capacity, and current status of risks already incurred, and to determine their compliance with the risk response strategies and risk management procedures.

(g) Implementation Rules of Legal Compliance

(i) For planning, managing, and executing of legal compliance, the Company and subsidiaries formulate the implementation guidelines of legal compliance in accordance with the Article 6 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.

(ii) The Department of Compliance is responsible for:

1) Establishing the system for conveying, consulting, coordinating and communicating the regulations.

2) Ensuring all the guidelines are updated on a timely basis so that each operation activity is in conformity with the regulations all the time.

3) Formulating the assessment procedures of legal compliance, supervising regularly the executions of self-assessment of each operation unit, and evaluating its effectiveness. The results of the self-assessment will be treated as part of the performance review after reporting them to the General Manager.

4) Supervising the execution of self-inspection of legal compliance semiannually in accordance with the Article 12 of the Company's internal guideline " the Regulations of Internal Control System."

5) Analyzing the reasons and making suggestions on material weakness and malpractice of legal compliance of each operation unit. The Department shall report to the management, and then, to the Audit Committee and Board of Directors.

6) Providing appropriate legal compliance training to the members of each operation unit.

7) Filing electronically the information on the chief and the members of the Department of Compliance, as well as training with the competent authority.

h) Financial statements of Taiwan Financial Holding Co., Ltd.

Balance Sheets

December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
Cash and Cash Equivalents	$ 866,810	-	1,056,123	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	11,275	-	21,225	-
Receivables, net	9	-	140	-
Current Income Tax Assets	284,787	-	158,110	-
Investments under Equity Method, net	432,817,621	100	402,208,152	100
Property and Equipment, net	7,702	-	7,580	-
Right-of-Use Assets, net	16,580	-	33,161	-
Intangible Assets, net	1,076	-	1,198	-
Other Assets, net	1,567,481	-	1,432,137	-
Total assets	**$ 435,573,341**	**100**	**404,917,826**	**100**

Liabilities and Equity	December 31, 2021 Amount	%	December 31, 2020 Amount	%
Payables	$ 46,467	-	27,653	-
Other Borrowings	35,000,000	8	24,600,000	6
Provision	171,323	-	151,349	-
Lease Liabilities	16,781	-	33,427	-
Other Liabilities	2,312,137	1	2,221,597	1
Total liabilities	37,546,708	9	27,034,026	7
Capital Stock	103,125,000	24	103,125,000	25
Capital Surplus	140,260,226	32	140,260,226	34
Retained earnings:				
Legal Reserve	9,259,392	2	8,527,130	2
Special Reserve	56,150,735	13	51,757,163	13
Unapporpriated retained earnings	25,568,303	6	18,389,451	5
Total retained earnings	90,978,430	21	78,673,744	20
Other Equity	63,662,977	14	55,824,830	14
Total equity	398,026,633	91	377,883,800	93
Total liabilities and equity	**$ 435,573,341**	**100**	**404,917,826**	**100**

Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2021 Amount	2021 %	2020 Amount	2020 %	Change %
Revenue and Income:					
Share of profit of associates and joint ventures accounted for using equity method	$ 15,940,685	100	9,328,490	100	71
Other gains	2,076	-	3,335	-	(38)
	15,942,761	100	9,331,825	100	71
Expenses:					
Operating expenses	(178,606)	1	(165,389)	2	8
Other expenses and losses	(214,721)	1	(179,571)	2	20
	(393,327)	(2)	(344,960)	(4)	14
Profit (loss) from continuing operations before tax	15,549,434	98	8,986,865	96	73
Less: Income tax benefits	(152,432)	(1)	(8,239)	-	1,750
Net profit	15,701,866	99	8,995,104	96	75
Other comprehensive income:					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans	(14,660)	-	(3,730)	-	(293)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(9,950)	-	(3,250)	-	(206)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	13,168,067	83	(6,126,843)	(66)	315
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	13,143,457	83	(6,133,823)	(66)	314
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(7,277,908)	(46)	277,386	3	(2,724)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	(7,277,908)	(46)	277,386	3	(2,724)
Other comprehensive income	5,865,549	37	(5,856,437)	(63)	200
Total comprehensive income	$ 21,567,415	136	3,138,667	33	587
Basic earnings per share	$	1.52		0.87	

Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Undistributed earnings	Retained earnings: Total	Total other equity interest: Exchange differences on translation of foreign operations	Total other equity interest: Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest: Change in fair value of financial liability attributable to change in credit risk of liability	Total other equity interest: Gains (losses) on financial instruments for hedging	Total other equity interest: Other comprehensive income reclassified by applying overlay approach	Total other equity interest: Total	Total equity
Balance at January 1, 2020	$ 103,125,000	140,260,226	7,840,566	47,637,781	15,872,777	71,351,124	(1,405,583)	61,346,295	(109,236)	3,955	148,813	59,984,244	374,720,594
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	686,564	-	(686,564)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,119,382	(4,119,382)	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	8,995,104	8,995,104	-	-	-	-	-	-	8,995,104
Other comprehensive income	-	-	-	-	(1,126,378)	(1,126,378)	(1,527,486)	(3,701,469)	23,007	32	475,857	(4,730,059)	(5,856,437)
Total comprehensive income	-	-	-	-	7,868,726	7,868,726	(1,527,486)	(3,701,469)	23,007	32	475,857	(4,730,059)	3,138,667
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(570,645)	(570,645)	-	570,645	-	-	-	570,645	-
Changes in special reserve	-	-	-	-	24,539	24,539	-	-	-	-	-	-	24,539
Balance at December 31, 2020	103,125,000	140,260,226	8,527,130	51,757,163	18,389,451	78,673,744	(2,933,069)	58,215,471	(86,229)	3,987	624,670	55,824,830	377,883,800
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	732,262	-	(732,262)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,393,572	(4,393,572)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,424,582)	(1,424,582)	-	-	-	-	-	-	(1,424,582)
Net income for the period	-	-	-	-	15,701,866	15,701,866	-	-	-	-	-	-	15,701,866
Other comprehensive income	-	-	-	-	(2,014,047)	(2,014,047)	(498,717)	8,641,472	66,727	112	(329,998)	7,879,596	5,865,549
Total comprehensive income	-	-	-	-	13,687,819	13,687,819	(498,717)	8,641,472	66,727	112	(329,998)	7,879,596	21,567,415
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	41,449	41,449	-	(41,449)	-	-	-	(41,449)	-
Balance at December 31, 2021	**$ 103,125,000**	**140,260,226**	**9,259,392**	**56,150,735**	**25,568,303**	**90,978,430**	**(3,431,786)**	**66,815,494**	**(19,502)**	**4,099**	**294,672**	**63,662,977**	**398,026,633**

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:			
Income before income tax	$	15,549,434	8,986,865
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		18,118	17,771
Amortization expense		371	300
Interest expense		204,397	166,757
Interest income		(293)	(386)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method		(15,940,685)	(9,328,490)
Loss on disposal of property and equipment		20	502
Subtotal of income of non-cash activities		(15,718,072)	(9,143,546)
Changes in operating assets and liabilities:			
Decrease (increase) in receivables		128	(128)
Decrease (increase) in other assets		124	(549)
Increase (decrease) in payable		4,601	(691)
Increase in provisions for employee benefits		5,314	8,605
Increase in other liabilities		-	77
Total adjustments		(15,707,905)	(9,136,232)
Cash outflow generated from operations		(158,471)	(149,367)
Interest received		295	379
Dividends received		2,311,801	3,136,900
Income taxes refund		25,754	80,959
Net Cash flows from operating activities		2,179,379	3,068,871
Net cash flows from (used in) investing activities:			
Acquisition of investments accounted for using equity method		(11,000,000)	-
Acquisition of property and equipment		(1,679)	(2,161)
Proceeds from disposal of property and equipment		-	92
Increase in refundable deposits		-	(45)
Acquisition of intangible assets		(249)	(619)
Net cash flows used in investing activities		(11,001,928)	(2,733)
Cash flows from (used in) financing activities:			
Increase in short-term loans		10,400,000	-
Decrease in short-term loans		-	(600,000)
Increase in guarantee deposits received		115	-
Decrease in guarantee deposits received		-	(16)
Payment of lease liabilities		(16,844)	(16,617)
Cash dividends paid		(1,560,049)	(1,424,582)
Interest paid		(189,986)	(167,554)
Net cash flows from (used in) financing activities		8,633,236	(2,208,769)
Net (decrease) increase in cash and cash equivalents		(189,313)	857,369
Cash and cash equivalents at beginning of period		1,056,123	198,754
Cash and cash equivalents at end of period	$	866,810	1,056,123
Composition of cash and cash equivalents:			
Cash and cash equivalents reported in the statement of financial position	$	866,810	1,056,123
Cash and cash equivalents at end of period	$	866,810	1,056,123

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) The balance sheets and income statements of the subsidiaries

(i) Balance sheets

	Bank of Taiwan (Individual)	
	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 130,046,839	154,091,174
Placement with Central Bank and call loans to banks	642,176,715	593,466,945
Financial assets measured at fair value through profit or loss	355,533,269	326,438,433
Receivables, net	58,763,314	53,437,162
Current income tax assets	1,497,504	2,100,741
Loans and discounts, net	2,940,449,487	2,869,204,520
Financial assets measured at fair value through other comprehensive income	995,955,988	991,067,914
Debt investments measured at amortized cost	164,929,574	156,093,052
Investments under equity method, net	44,259,229	41,512,229
Other financial assets, net	30,159,160	37,763,270
Property and equipment, net	138,881,762	139,161,426
Right-of-use assets, net	1,421,474	1,447,075
Investment property, net	15,238,207	15,238,207
Intangible assets, net	1,052,853	980,334
Deferred tax assets, net	451,527	618,378
Other assets, net	27,938,284	16,511,833
Total assets	**$ 5,548,755,186**	**5,399,132,693**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Bank of Taiwan (Individual)	
	December 31, 2021	December 31, 2020
Deposits of Central Bank and other banks	$ 301,575,853	268,447,708
Financial liabilities measured at fair value through profit or loss	19,678,531	32,337,278
Hedging derivative financial liabilities, net	16,241	49,894
Bills and bonds sold under repurchase agreements	3,987,215	6,418,088
Payables	42,465,523	41,636,403
Current tax liabilities	1,666,985	1,090,936
Deposits and remittances	4,209,976,571	4,173,100,442
Financial bonds payable	25,999,058	24,999,085
Other financial liabilities	423,216	924,671
Provisions	476,714,994	420,235,522
Deferred tax liabilities	18,373,243	18,360,527
Other liabilities	8,199,904	11,217,405
Lease liabilities	1,319,965	1,323,312
Loans from Central Banks and other banks	36,170,330	15,849,400
Total liabilities	5,146,567,629	5,015,990,671
Capital stock	$ 109,000,000	109,000,000
Capital surplus	108,453,043	108,453,043
Retained earnings		
Legal reserve	50,631,691	47,616,203
Special reserve	44,559,358	40,538,707
Unappropriated retained earnings	27,079,745	22,803,090
	122,270,794	110,958,000
Other equity	62,463,720	54,730,979
Total equity	402,187,557	383,142,022
Total liabilities and stockholders' equity	**$ 5,548,755,186**	**5,399,132,693**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	BankTaiwan Life Insurance	
	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 24,715,093	50,325,737
Receivables	3,190,219	6,285,141
Current income tax assets	762,716	1,360,098
Financial assets measured at fair value through profit or loss	47,947,065	37,511,385
Financial assets measured at fair value through other comprehensive income	6,638,601	5,987,681
Financial assets measured at amortized cost	325,280,275	292,925,348
Investments under equity method, net	7,707,061	7,273,043
Other financial assets, net	19,924,750	9,910,500
Real estate investments	9,818,489	9,120,385
Loans	7,887,454	8,944,493
Reinsurance assets	9,045	14,463
Property and equipment	919,718	932,825
Right-of-use assets	7,866	15,753
Intangible assets	104,475	78,425
Deferred tax assets	4,498,942	4,510,139
Other assets	6,879,986	5,680,443
Separate account-insurance assets	8,810,282	3,018,443
Total assets	**$ 475,102,037**	**443,894,302**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	BankTaiwan Life Insurance	
	December 31, 2021	December 31, 2020
Payables	$ 979,106	2,378,444
Financial liabilities measured at fair value through profit or loss	26,840	250,885
Insurance liabilities	438,092,616	421,700,325
Foreign exchange volatility reserves	159,705	129,185
Provisions	778,288	691,962
Deferred tax liabilities	218,876	434,466
Other liabilities	253,019	281,118
Separate account-insurance liabilities	8,810,282	3,018,443
Lease liabilities	7,922	15,814
Total liabilities	449,326,654	428,900,642
Capital stock	43,500,000	32,500,000
Capital surplus	360,000	360,000
Retained earnings		
Legal reserve	96,557	96,557
Special reserve	3,274,608	2,490,483
Unappropriated retained earnings	(22,623,878)	(21,509,353)
	(19,252,713)	(18,922,313)
Other equity	1,168,096	1,055,973
Total equity	25,775,383	14,993,660
Total liabilities and equity	**$ 475,102,037**	**443,894,302**

	BankTaiwan Securities	
	December 31, 2021	December 31, 2020
Current assets	$ 19,928,093	15,365,112
Property and equipment	519,186	495,012
Right-of-use assets	10,601	21,247
Intangible assets	25,616	22,336
Deferred tax assets	13,460	12,195
Other assets－noncurrent	312,685	307,589
Total assets	**$ 20,809,641**	**16,223,491**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	BankTaiwan Securities	
	December 31, 2021	December 31, 2020
Current liabilities	$ 15,613,314	11,835,614
Employee benefit liabilities reserves－noncurrent	241,552	205,109
Lease liabilities－noncurrent	-	10,731
Deferred tax liabilities	92,589	93,507
Other liabilities－noncurrent	7,506	6,059
Total liabilities	15,954,961	12,151,020
Capital stock	3,000,000	3,000,000
Retained earnings		
Legal reserve	168,194	130,582
Special reserve	492,039	416,816
Unappropriated retained earnings	1,149,561	483,421
	1,809,794	1,030,819
Other equity	44,886	41,652
Total equity	4,854,680	4,072,471
Total liabilities and equity	**$ 20,809,641**	**16,223,491**

	BankTaiwan Insurance Broker	
	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 379,486	361,631
Receivables	98,720	91,671
Current income tax assets	17	4,111
Property and equipment	3,315	3,488
Right-of-use assets	5,359	9,602
Intangible asset	515	533
Deferred tax assets	5,238	5,438
Other assets	3,826	3,818
Total assets	**$ 496,476**	**480,292**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	BankTaiwan Insurance Broker	
	December 31, 2021	**December 31, 2020**
Payables	$ 95,799	89,355
Current tax liabilities	4,468	-
Other liabilities	150	150
Lease liabilities	5,447	9,713
Provision	11,998	2,317
Total liabilities	117,862	101,535
Capital stock	20,000	20,000
Retained earnings		
Legal reserve	150,255	142,974
Special reserve	150,255	142,974
Unappropriated retained earnings	58,104	72,809
	358,614	358,757
Total equity	378,614	378,757
Total liabilities and equity	**$ 496,476**	**480,292**

(ii) Income statements

	Bank of Taiwan (Individual)	
	2021	**2020**
Interest income	$ 48,288,746	54,052,768
Less: interest expense	(18,651,099)	(26,565,093)
Net interest income	29,637,647	27,487,675
Other non-interest income	9,295,609	6,540,043
Net revenues	38,933,256	34,027,718
Bad debt expense and reserve for guarantees	(261,249)	(310,089)
Operating expenses	(21,725,962)	(21,391,282)
Net income before income tax	16,946,045	12,326,347
Income tax expenses	(1,664,757)	(810,997)
Net income	15,281,288	11,515,350
Other comprehensive income	5,890,159	(6,058,492)
Total comprehensive income (loss) after tax for the period	21,171,447	5,456,858
Basic earnings per share (In dollars)	1.40	1.06

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	BankTaiwan Life Insurance	
	2021	2020
Operating income	$ 44,319,119	54,969,497
Operating cost	(44,058,260)	(57,991,463)
Operating expenses	(1,002,714)	(932,910)
Operating losses	(741,855)	(3,954,876)
Non operating income (expense)	37,830	32,753
Net income (loss) before income tax	(704,025)	(3,922,123)
Income tax benefits	479,982	1,347,539
Net losses	(224,043)	(2,574,584)
Other comprehensive income	5,766	176,176
Total comprehensive income (loss) after tax for the period	(218,277)	(2,398,408)
Basic earnings per share (In dollars)	(0.05)	(0.79)

	BankTaiwan Securities	
	2021	2020
Revenues	$ 1,694,037	1,030,702
Cost and expenses	(671,854)	(578,912)
Net operating income	1,022,183	451,790
Non operating income	20,780	6,506
Net income before income tax	1,042,963	458,296
Income tax expenses	(159,523)	(70,572)
Net income	883,440	387,724
Other comprehensive income	(5,766)	32,859
Total comprehensive income after tax for the period	877,674	420,583
Basic earnings per share (In dollars)	2.94	1.29

	BankTaiwan Insurance Brokers	
	2021	2020
Operating income	$ 891,292	922,159
Operating cost	(698,920)	(723,109)
Operating expenses	(108,952)	(112,978)
Operating profits	83,420	86,072
Non operating expenses	2,564	(784)
Net income before income tax	85,984	85,288
Income tax expenses	(17,197)	(17,058)
Net income	68,787	68,230
Other comprehensive income	(10,682)	4,579
Total comprehensive income after tax for the period	58,105	72,809
Basic earnings per share (In dollars)	34.39	34.12

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(17) Other Disclosures:

(a) Information on Significant Transactions:

Following the principle of financial report for financial holding company, the disclosure of information on significant transaction of the Company and subsidiaries were as follows:

(i) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 10% of the capital stock:None

(ii) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 10% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
BankTaiwan Life Insurance	Time Square Taipei	2021.07.13	783,888	783,888	Highwealth Construction Co., Ltd.	Non-related party				-	Refered to appraisal reports	Asset allocation and real estate investment	None

(iii) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 10% of the capital stock:None

(iv) Service charge discounts on transactions with related parties in an aggregate amount of NT$5 million or more: None

(v) Receivables from related parties with amounts exceeding the lower of NT$300 million or 10% of the capital stock:None

(vi) Information on NPL disposal transaction:

1) Summary table of NPL disposal:None

2) Disposal of a single batch of NPL up to NT$1 billion and information on each transaction:None

(vii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information:None

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

(b) Information on Investees:

The followings are the information on investees:

(In Thousands of New Taiwan Dollars)

Name of the investee	Investee Location	Major Operation	% of shares	Highest holding ratio for the period	Original investment cost	Gain(Loss) recognized during the period	Held by the company and related party at year-end				Notes
							Shares	proforma share	Subtotal Shares	Subtotal % of Shares	
Hua Nan Financial Holdings Co., Ltd. and its subsidiaries	Taipei	Financial Holding	25.07 %	25.07 %	50,316,673	4,313,726	3,295,240	-	3,295,240	25.07 %	
Tang Eng Iron Works Co., Ltd.	Kaohsiung	Iron Industry	21.37 %	21.37%	1,246,610	338,982	74,802	-	74,802	21.37 %	
Tai Yi Real Estate Management Co., Ltd	Taipei	Real Estate Service	30.00 %	30.00%	24,305	6,032	1,500	-	1,500	30.00 %	
Bank of Taiwan	Taipei	Banking	100.00%	100.00%	402,187,557	15,281,288	10,900,000	-	10,900,000	100.00%	note 3
BankTaiwan Life Insurance	Taipei	Life insurance	100.00%	100.00%	25,775,383	(224,043)	4,350,000	-	4,350,000	100.00%	note 3
BankTaiwan Securities	Taipei	Securities	100.00%	100.00%	4,854,680	883,440	300,000	-	300,000	100.00%	note 3
BankTaiwan Insurance Brokers	Taipei	Insurance broker	100.00%	100.00%	378,702	68,763	2,000	-	2,000	100.00%	note 3

Note 1: The investee's shares or pro-forma shares held by the Company's board of directors, supervisors, general manager, vice general managers and affiliates conforming to the Company Act should be included.

Note 2: (1) Pro-forma shares are the "equity-type securities" or "derivative instrument contracts (have not been converted into stock)" that can be converted into shares of the investee company under the Article 74 of the Company Act for investment purpose.

(2) The aforementioned equity-type securities refer to the securities defined in Securities and Exchange Act Enforcement Rules such as convertible corporate bonds and warrants.

(3) The aforementioned derivative instrument contracts refer to the contracts defined in the GAAP No.34 such as stock options.

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

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on Investment in Mainland China:

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

(In Thousands of New Taiwan Dollars or Foreign Currency)

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types (Note 1)	Accumulated outflow of Investment from Taiwan as of January 1, 2020	Investment flows Outflow	Investment flows Regain	Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income from investee	% of shares	The highest % of shares in the midterm	Investment income recognized as of December 31, 2020	Carrying value as of December 31, 2020	Accumulated inward remittance of earnings as of December 31, 2020
Bank of Taiwan, Shanghai Branch	Banking business	4,341,000 CNY1,000,000	(3)	4,341,000 CNY1,000,000	-	-	4,341,000 CNY1,000,000	244,499	100 %	100 %	244,499	6,061,404	-
Bank of Taiwan, Guangzhou Branch	Banking business	4,341,000 CNY1,000,000	(3)	4,341,000 CNY1,000,000	-	-	4,341,000 CNY1,000,000	90,719	100 %	100 %	90,719	4,813,950	-
Bank of Taiwan, Fuzhou Branch	Banking business	4,341,000 CNY1,000,000	(3)	4,341,000 CNY1,000,000	-	-	4,341,000 CNY1,000,000	104,773	100 %	100 %	104,773	4,635,745	-

Note 1: Three types of investments are as follows :

1) Direct investment in Mainland China.

2) Investment in Mainland China through a company set up in a third region.

3) Via overseas branches.

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

(ii) Rationed investment in China:

Current period of accumulate 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

(iii) Significant transactions with the invested company in China:None

(d) Subsidiaries lending to other parties, guarantees and endorsements for other parties, securities held as of December 31, 2016, securities for which purchase or sale amount for the period exceed $300 million or 10% of the Company’s paid-in capital, and trading in derivative financial instruments: BOT, BTLI and BTS are banking industry, insurance industry and securities industry and their main operations include the above activities; hence it is not necessary to disclose the related information. The BankTaiwan Insurance Brokers does not have those transactions. Besides, transactions related to derivatives, please refer to note 6(c), 6(t) and 7.

(e) Information on significant transactions between parent and subsidiary company were as follows:

Number	Name of Company	Name of the counter-party	Existing relationship State of transaction with the counter-party	Account name	Amount	Terms of trading	Percentage of the total consolidated revenues or total assets
0	Taiwan Financial Holdings	Bank of Taiwan	1	Cash and cash equivalents	866,780	Same as regular transaction	0.01 %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Receivables, net	9	〃	- %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Other assets-net	2,181,976	〃	0.04 %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Other assets-net	2,807	〃	- %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Short-term borrowings	35,000,000	〃	0.58 %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Other payables	19,301	〃	- %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Right-of-use assets	65,827	〃	- %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Accumulated depreciation - right-of-use assets	49,246	〃	- %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Lease liabilities	16,781	〃	- %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Interest income	293	〃	- %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Other non-interest income	588	〃	- %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Other general and administrative expenses	29,830	〃	0.05 %
0	Taiwan Financial Holdings	Bank of Taiwan	1	Interest expense	204,397	〃	0.35 %
0	Taiwan Financial Holdings	BankTaiwan Life Insurance	1	Other non-interest income	138	〃	- %
0	Taiwan Financial Holdings	BankTaiwan Securities	1	Other receivables, net	129,825	〃	- %
0	Taiwan Financial Holdings	BankTaiwan Securities	1	Other non-interest income	316	〃	- %
1	Bank of Taiwan	Taiwan Financial Holdings	2	Deposits and remittances	866,780	〃	0.01 %

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Number	Name of Company	Name of the counter-party	Existing relationship				
			State of transaction with the counter-party	Account name	Amount	Terms of trading	Percentage of the total consolidated revenues or total assets
1	Bank of Taiwan	Taiwan Financial Holdings	2	Payables	9	Same as regular transaction	- %
1	Bank of Taiwan	Taiwan Financial Holdings	2	Employee benefits expenses	2,181,976	〃	0.04 %
1	Bank of Taiwan	Taiwan Financial Holdings	2	Other liabilities	2,807	〃	- %
1	Bank of Taiwan	Taiwan Financial Holdings	2	Loans and discounts, net	35,000,000	〃	0.58 %
1	Bank of Taiwan	Taiwan Financial Holdings	2	Receivables, net	19,301	〃	- %
1	Bank of Taiwan	Taiwan Financial Holdings	2	Interest expenses	293	〃	- %
1	Bank of Taiwan	Taiwan Financial Holdings	2	Employee benefits expenses	653	〃	- %
1	Bank of Taiwan	Taiwan Financial Holdings	2	Other non-interest income	30,094	〃	0.05 %
1	Bank of Taiwan	Taiwan Financial Holdings	2	Interest income	204,199	〃	0.35 %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Receivables, net	11,466	〃	- %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Other assets, net	5,959	〃	- %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Payables	143	〃	- %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Deposits and remittance	8,377,401	〃	0.14 %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Financial liabilities measured at fair value through profit or loss	235,949	〃	- %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Right-of-use assets	206,244	〃	- %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Accumulated depreciation - right-of-use assets	88,566	〃	- %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Lease liabilities	114,342	〃	- %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Temporary receipt awaiting suspense accounts	234	〃	- %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Service fee, net	56,852	〃	0.10 %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	76,380	〃	0.13 %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Other non-interest income	33,639	〃	0.06 %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Interest expenses	6,484	〃	- %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Other general and administrative expenses	44,452	〃	0.08 %
1	Bank of Taiwan	BankTaiwan Life Insurance	3	Other liabilities	493	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Other assets, net	15	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Receivables, net	31	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Payables	34	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Deposits and remittance	4,868,868	〃	0.08 %
1	Bank of Taiwan	BankTaiwan Securities	3	Call loans to Securities Co.,	248,895	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Other liabilities	1,795	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Right-of-use assets	255	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Accumulated depreciation - right-of-use assets	255	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Temporary receipt awaiting suspense accounts	130	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Interest income	508	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Other non-interest income	29,272	〃	0.05 %
1	Bank of Taiwan	BankTaiwan Securities	3	Interest expenses	336	〃	- %
1	Bank of Taiwan	BankTaiwan Securities	3	Service fee, net	10,030	〃	0.02 %
2	BankTaiwan Life Insurance	Taiwan Financial Holdings	2	Employee benefits expenses	138	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Payables, net	11,466	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Other liabilities	5,959	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Receivables, net	143	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Financial assets measured at fair value through profit or loss	235,949	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Advance revenues - general rent	5,280	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Cash and cash equivalents	8,377,401	〃	0.14 %

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Number	Name of Company	Name of the counter-party	Existing relationship State of transaction with the counter-party	Account name	Amount	Terms of trading	Percentage of the total consolidated revenues or total assets
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Right-of-use assets	11,666	Same as regular transaction	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Accumulated depreciation - right-of-use assets	8,749	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Lease liabilities	2,949	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Temporary receipt awaiting suspense accounts	1,945	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Other assets, net	493	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Service fee, net	56,842	〃	0.10 %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	76,390	〃	0.13 %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Investments Property income, net	44,452	〃	0.08 %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Interest income	6,484	〃	- %
2	BankTaiwan Life Insurance	Bank of Taiwan	3	Other general and administrative expenses	33,639	〃	0.06 %
2	BankTaiwan Life Insurance	BankTaiwan Insurance Brokers	3	Payables, net	50,002	〃	- %
2	BankTaiwan Life Insurance	BankTaiwan Insurance Brokers	3	Service fee, net	333,845	〃	0.57 %
3	BankTaiwan Securities	Taiwan Financial Holdings	2	Prepaid dividends	129,825	〃	- %
3	BankTaiwan Securities	Taiwan Financial Holdings	2	Employee benefit liabilities reserve	316	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Other liabailities, net	1,795	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Receivable, net	34	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Other assets, net	4,784,103	〃	0.08 %
3	BankTaiwan Securities	Bank of Taiwan	3	Cash and cash equivalents	84,751	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Payables, net	31	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Short-term borrowings	248,895	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Righ-of-use assets	42,524	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Accumulated depreclated —righ-of-use assets	31,923	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Lease liabilities	10,731	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Interest expenses	508	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Other general and administrative expenses	39,345	〃	0.07 %
3	BankTaiwan Securities	Bank of Taiwan	3	Interest income	336	〃	- %
3	BankTaiwan Securities	Bank of Taiwan	3	Other non-interest income	43	〃	- %
3	BankTaiwan Securities	BankTaiwan Insurance Brokers	3	Service fee, net	51	〃	- %
4	BankTaiwan Insurance Brokers	BankTaiwan Life Insurance	3	Receivables, net	50,002	〃	- %
4	BankTaiwan Insurance Brokers	BankTaiwan Life Insurance	3	Service fee, net	333,845	〃	0.57 %
4	BankTaiwan Insurance Brokers	BankTaiwan Securities	3	Service fee, net	51	〃	- %

Note 1: Number is based on the following rules:
1) The parent company is 0.
2) Subsidiaries are numbered by company from 1.

Note 2: The relation with trader is numbered as follows:
1) The parent company to its subsidiary is 1.
2) The subsidiary to its parent company is 2.
3) The subsidiary to another subsidiary is 3.

Note 3: The transactions mention above have already write-off when building the financial report.

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(18) Segment Information:

The Company and subsidiaries have seven reportable segments, as describes below. Each department offers different services and products, and are managed separately based on their diverse techniques and marketing tactic. The higher level managements of the Company and subsidiaries review each department’s internal management report on a quarterly basis. The information of asset and income disclose by segments are in accordance with the significant accounting policies stated above. The following describes the operations in each of the Company's and subsidiaries' reportable segments:

(a) Bank Department: Includes transacting deposit, loan, and foreign exchange; dispatching, managing, performing NTD and foreign currency; investing in securities, and analyzing, managing interest for loan and deposit, and etc.

(b) Government Employees’ Insurance Department: Includes 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: Includes 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: Includes 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) Insurance Business: Provides a variety of insurance services.

(f) Security Business: Engages in securities business.

(g) Other Business: Engages in financial holding, venture capital and asset management, etc.

	2021								
	Bank department	Department of Government Employees' Insurance	Department of Procurement	Department of Precious Metals	Insurance Business	Securities Business	Other business	Reconciliation and elimination	Total
Interest income	$ 46,660,442	1,627,690	7	607	10,440,906	184,324	689	(212,215)	58,702,450
Less: interest expense	(18,651,099)	-	-	-	(211)	(8,990)	(204,482)	(213,998)	(18,650,784)
Interest income, net	28,009,343	1,627,690	7	607	10,440,695	175,334	(203,793)	1,783	40,051,666
Non-interest income, net	10,117,213	53,031,690	327,238	306,227	6,732,781	1,400,634	16,126,769	(16,153,717)	71,888,835
Net revenue	38,126,556	54,659,380	327,245	306,834	17,173,476	1,575,968	15,922,976	(16,151,934)	111,940,501
Bad debt expenses and reserve for guarantees	(258,807)	(2,442)	-	-	15,241	(1,703)	-	-	(247,711)
Provisions for policyholder’s reserve premium	-	(54,486,760)	-	-	(16,890,028)	-	-	-	(71,376,788)
Operating costs	(21,343,808)	(170,178)	(119,976)	(91,999)	(1,002,714)	(531,302)	(287,558)	142,461	(23,405,074)
Continuing operating income before income tax	**$ 16,523,941**	**-**	**207,269**	**214,835**	**(704,025)**	**1,042,963**	**15,635,418**	**(16,009,473)**	**16,910,928**
Continuing operating income after income tax	**$ 14,859,184**	**-**	**207,269**	**214,835**	**(224,043)**	**883,440**	**15,770,654**	**(16,009,473)**	**15,701,866**
Total assets	**$ 5,171,610,315**	**453,720,368**	**2,627,071**	**1,190,699**	**475,102,037**	**20,809,641**	**436,069,817**	**(566,202,427)**	**5,994,927,521**
Total Liabilities	**$ 4,769,844,862**	**453,720,368**	**2,419,802**	**975,864**	**449,326,654**	**15,954,961**	**37,664,570**	**(133,006,193)**	**5,596,900,888**

(Continued)

TAIWAN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2020								
	Bank department	Department of Government Employees' Insurance	Department of Procurement	Department of Precious Metals	Insurance Business	Securities Business	Other business	Reconciliation and elimination	Total
Interest income	$ 51,746,032	2,305,583	3	1,150	10,395,970	134,692	724	(186,934)	64,397,220
Less: interest expense	(26,565,093)	-	-	-	(218)	(14,830)	(166,895)	(188,977)	(26,558,059)
Interest income, net	25,180,939	2,305,583	3	1,150	10,395,752	119,862	(166,171)	2,043	37,839,161
Non-interest income, net	7,669,239	55,297,350	356,262	656,064	24,536,892	821,094	9,516,691	(9,547,931)	89,305,661
Net revenue	32,850,178	57,602,933	356,265	657,214	34,932,644	940,956	9,350,520	(9,545,888)	127,144,822
Bad debt expenses and reserve for guarantees	(310,626)	537	-	-	3,921	(1,518)	-	-	(307,686)
Provisions for policyholder's reserve premium	-	(57,438,873)	-	-	(37,925,778)	-	-	-	(95,364,651)
Operating costs	(21,017,266)	(164,597)	(114,074)	(95,344)	(932,910)	(481,142)	(278,367)	149,167	(22,934,533)
Continuing operating income before income tax	**$ 11,522,286**	**-**	**242,191**	**561,870**	**(3,922,123)**	**458,296**	**9,072,153**	**(9,396,721)**	**8,537,952**
Continuing operating income after income tax	**$ 10,711,289**	**-**	**242,191**	**561,870**	**(2,574,584)**	**387,724**	**9,063,335**	**(9,396,721)**	**8,995,104**
Total assets	**$ 5,083,795,276**	**399,405,876**	**2,456,043**	**1,845,520**	**443,894,302**	**16,223,491**	**405,398,118**	**(531,547,255)**	**5,821,471,371**
Total Liabilities	**$ 4,701,457,311**	**399,405,876**	**2,213,852**	**1,283,653**	**428,900,642**	**12,151,020**	**27,135,561**	**(128,960,344)**	**5,443,587,571**