Code: 5830

web page: www.cotabank.com.tw

Taiwan Stock Exchange M.O.P.S web page:

mops.twse.com.tw

ANNUAL REPORT 2020

COTA COMMERCIAL BANK





COTA Commercial Bank

ANNUAL REPORT 2020



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1. To Our Shareholders

1-1. Year 2020 Business Report

1-1-1. Financial Environment

In response to the epidemic, every country has announced unprecedented large-scale fiscal, monetary and regulatory measures to maintain household disposable income ensure corporate cash flow and support credit supply in 2020. The Organization for Economic Cooperation and Development (OECD) has raised the global economic outlook for the next year. The global economy will continue to grow moderately as of the vaccine can effectively control COVID-19. However, the service industry is still depressing in the job market and trade tensions among major economies may slow the pace of recovery.

In recent years, Taiwan's economy has gradually changed and domestic demand has become the main growth support. Since next semiannually of 2020, the impact of private consumption has shrunk and investment activities have continued, meanwhile the domestic economy has emerged from the haze of the epidemic. Looking forward, the global economic rebound and the reduction of the uncertainty of the epidemic, some production lines transfer from oversea to Taiwan, and the booming demand for emerging technologies, As a result the export performance is expected to grow substantially in Taiwan. The Chief Accounting Office of the Executive Yuan predicts the economic growth rate of Taiwan will be 3.83% in 2021.

Although the advent of the vaccine boosts the market's optimistic outlook on the business outlook and the global economy is expected to resume growth next year, it still faces at least four major risks, including the slow economic recovery due to repeated epidemics, the financial situation may shrink suddenly or financial fragility continues to rise, every country economy support policies may exit early and the US diplomacy policy still emphasizes domestic interests, the confrontation situation may continue between the US and China. Once the above mentioned risks rise or are realized, they will slow down the economic recovery and should be closely observed. We will adopt a flexible business strategy and prudently respond to the ever-changing business environment.

1-1-2. Organization Development

None

1-1-3. Business Plans and Strategies Performance

1-1-3-1. Main Achievements

- Implementation of the "Principles of internal control practices relating to the prevention of misappropriation of customers' account by the bank's wealth specialist"-account monitoring mechanism, wealth management customer visit mechanism and customer communication data comparison management mechanism.
- Mobile Internet Banking has added "Online Credit Application" and "One-Finger Shortcut" services.
- Completed the declaration and due diligence criteria CRS 2019 reportable matters.
- The credit card EMV 3D SECURE service launched to enhance the security of credit card online transactions.
- "Mobile phone number inter-bank transfer" service launched.
- · Personal online banking update and English version service launched.

1-1-3-2. Budget Execution

As of Dec. 31, 2020, our deposits balance with sum of TWD162.2 billion (excluding deposits from banks) increased by TWD8.5 billion compared with previous year; our loans balance with sum of TWD121.4 billion increased by TWD8.4 billion compared with previous year.COTA would be commit to strengthen the Fintech services, expansion e-banking services, provide diversified products to satisfy the requirement of the customer, to develop new financial products, to achieve better structure of quality between deposits and loans and higher multi-source income.

Main business budget executions reported as follows:

- Final account of average deposits balance amounted to TWD154.5 billion, achieved 102.32% budgeting goal of TWD151 billion.
- Final account of average loans balance amounted to TWD115.3 billion, achieved 99.40% budgeting goal of TWD116 billion.

1-1-3-3. Financial Structure and Profitability

In 2020, COTA solo financial report earnings before income-tax figured as TWD854,672 thousand turned into EPS before income-tax as TWD0.97, turned into EPS after income-tax as TWD0.78. Our BIS ratio maintained at a level of 13.07% and net worth of per share stood at TWD13.55. Our non-performing loan coverage ratio to 705.42%. Overdue loan ratio decreased to 0.20%. Nevertheless, we would constant improve business effectiveness and risk control to boost operation capability and competitive edge.

1-1-3-4. Research and Development

To keep in line with critical issues of international and domestic political and economic environments and demands of banking business expansion, our H.O. departments compiled assorted analyses and reports regarding financial situations, banking business development, industrial insight and tendency periodically or non-periodically. Such analyses and reports would circulate to our staff for reference and application through our electronic official document system to prompt business development.



1. To Our Shareholders

1-2. Year 2021 Business Plans Outline

We have always held the spirit of "Integrity, Innovation, Affability, and Service", and fulfill compliance and legal affairs on business management. Meanwhile, strive more deeply rooted in corporate culture to satisfy the requirement of the customer and intensify managerial strength. Main business plans are described as follows.

1-2-1. Business Operating Policy

- Cooperating with the development of digital banks, using e-commerce to develop potential online banking customers, select excellent target customer groups, and provide exclusive discounts and services to expand business.
- Cooperate with the competent authority to promote the development of financial technology and the revision of laws and regulations, continue to develop and improve the electronic channel service system, expand the digitization of various business transaction functions, beside, provides more convenient and diversified financial services.
- Continue to expand demand deposits, consumer finance, corporate credit, wealth management, trust, foreign exchange, international finance and electronic finance businesses, adjust the profit structure of banking business, expand the economic scale, and improve operating efficiency to reduce costs and increase profitability.
- Make full use of the internal credit rating system of credit-granting accounts, appropriately adjust the rating factors and their
 weights after statistically sufficient quantitative data, and use the post-loan default database to summarize the timing of the default
 and the reasons for the overdue of the rated account.
- Strengthen the pre-risk control capabilities of all products to improve asset quality, and implement post-event management, regularly review the operating status and asset quality of consumer finance credit business, adjust product pricing and credit policies at any time, establish a management structure for the entire product line to ensure reflect product performance.
- In line with the advent of an aging society and in response to government policies. To actively participate in the promotion and promotion of the elderly and the physically and mentally handicapped Anyang Trust, fulfill corporate social responsibility and enhance customer value.
- Strengthen the professional knowledge training of the wealth management business of the staff, and adopt all employee marketing
 as the sales strategy, improve professional knowledge and marketing skills through comprehensive financial management training,
 meanwhile, tailor-made financial planning for customers can more effectively achieve customers' financial goals as quickly as
 possible, and improve and enhance the core value of wealth management "services".
- Actively cooperate with financial policies and various laws and regulations, strengthen the operating physique and capital structure, to improve the overall efficiency of operations, and develop towards the vision and goals of high-quality financial institutions.

1-2-2. Business Target

Unit: TWD thousand: %

Main Business	Budget of Year 2021	Result of Year 2020	Increase volume		
Walli Dusilless	Budget of Teal 2021	Result of feat 2020	Amount	%	
Average deposits	155,000,000	154,543,703	456,297	0.30	
Average loans	119,500,000	115,330,466	4,169,534	3.62	
Trust assets	5,471,647	5,446,956	24,691	0.45	
Wealth management	168,653	136,566	31,787	23.28	

Average deposits

Budget of 2021	155,000,000
Result of 2020	154,543,703



Trust assets

Budget of 2021	5,471,647
Result of 2020	5,446,956



Average loans

Budget of 2021	119,500,000	+3.62
Result of 2020	115,330,466	%

Wealth management

Budget of 2021	16	88,353	+23.28
Result of 2020	136,566		%

Unit: TWD thousand

1-3. Long-term Development Strategy

- Establish and implement a sound risk management system for on-balance sheet and off-balance sheet and implemented to make the use of funds more effective and in line with the principles of safety, liquidity and profitability.
- Monitor credit limit management to exhibit the risk management function, improve the structure of risky assets, and strengthen the bank's BIS.
- Strictly monitor the limit of market risk to achieve the balance between risk and reward and the optimization of capital allocation to maintain the safety and profitability of capital.
- Establish management policy of the risk-oriented operation and continue to promote sound growth and the long-term goal of sustainable operation
- Implement the internal control and internal audit mechanism, in addition to regularly arranging education, training and publicity courses, implementing laws and regulations and service quality, supervising wealth management personnel to implement compliant sales, and attaching importance to the protection of customers' rights and interests.
- Regularly review the achievement of annual goals, and promote sales competitions from time to time in line with the market investment environment to strengthen sales willingness and improve performance.
- Set the control ratio for the credit limit of every industry, strengthen the pre-credit work of legal enterprise credit, prevent excessive concentration of risks, and pay attention to the pulsation of the overall economy and the market.
- The planning and background operation procedures are standardized, automated, and digitized to make the overall lending
 process more efficient and competitive, reduce operating costs, shorten operating time, and achieve the goal of economies of
 scale.
- Plan to open a digital deposit account to expand digital channels and develop new sources of customers.
- Implement corporate social responsibility, actively help disadvantaged public welfare organizations, and give more warmth to the society.

1. To Our Shareholders

1-4. Impact of Competitive, Regulative and Banking Environments

In order to build the friendly, innovative and legal supervision environment, FSC promotes the application of the banking industry in the financial field of personalization of digital services (MyData), implements the maximization of open government data for taking into account the protection of personal data, and continues to promote the opening of banking-related services and promote "Green Finance Action Plan 2.0" encourages financial institutions to seize green business opportunities, use financial market mechanisms to guide capital investment in green or sustainable development goals, implement financial inclusion. The vulnerable groups and the physical disabilities fully enjoy convenience, equality and reasonableness of financial services in remote areas.

FSC will list the development of sustainable finance as an important policy to promote, actively implement the "Green Finance Action Plan 2.0", and continue to review financial policy tools on a rolling basis, meanwhile, actively integrate with the world, and build a more complete and sustainable financial system and guidelines. To consist of improving the quality and transparency of ESG information disclosure, establishing sustainable classification standards, and promoting the establishment of integrated database, etc., to guide financial institutions to gradually expand from investment and financing in the green energy industry to support for green and sustainable development, meanwhile, Cultivate the power of financial markets due to the resilience of financial institutions in response to the risks of climate change. To continue to guide and support the development of physical industries and take into account the low-carbon transformation, driving a sustainable financial ecosystem with a positive cycle. We will continue to cooperate with the policies of the competent authority, optimize financial services, and keep going the long-term goal of sustainable operation, improve profit performance, and enhance the company value and competitiveness.

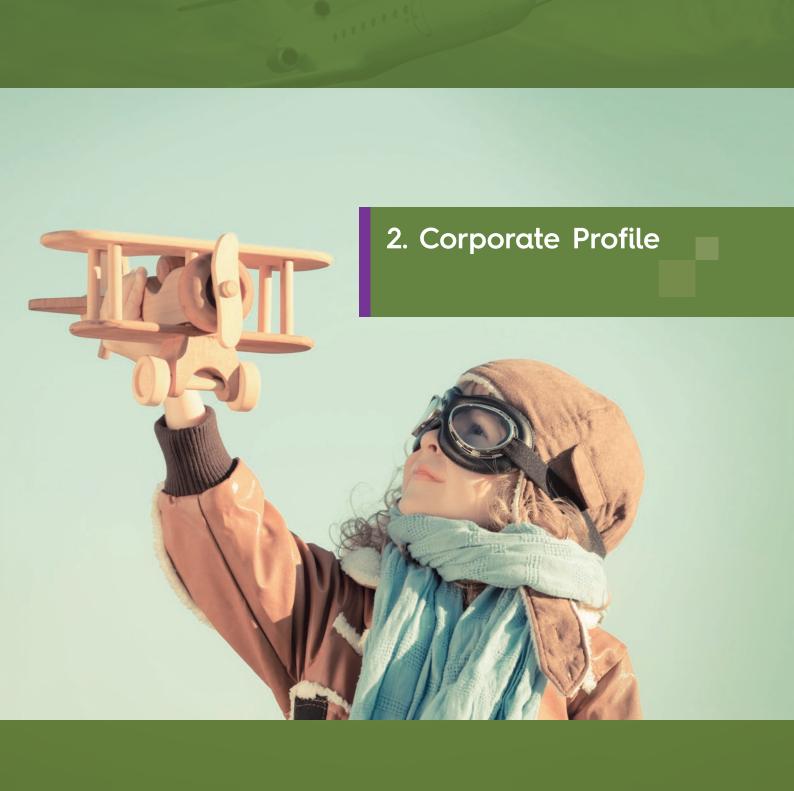


1-5. Corporate Rating

Category Rating Agent		Rat	ting	Outlook	Released Date	
		Long-term	Short-term	Outlook		
Local	Taiwan Rating Corporate	twBBB+	twA-2	Stable	Dec.18, 2020	

In the face of external challenges and potential opportunities, we must be more proactive and continue to grow and expedite transformation in order to seize new market opportunities. Also we provide more agile and professional financial services by the operating scale at the present time. At last, we would like to express sincere appreciations to our shareholders, directors, and the elites in all fields. We look forward to obtaining continued support and advice from all of you.

Chairman Song-Yie Liao



2. Corporate Profile

2-1. Bank Features

Bank Name COTA Commercial Bank, Ltd.

Chairman Song-Yie Liao

President Jung-Hsien Chiu

Date of Business Registration Jan. 01, 1999

Date of Inauguration Jan. 01, 1999

Location of Head Office No.32-1, Gongyuan Road, Taichung

City 400, Taiwan, R.O.C.

Number of Employee 1,104

Paid-in Capital TWD9,251,038,030

Capital Shares Common Stock in 925,103,803

Shares



2-2. Historical Highlights

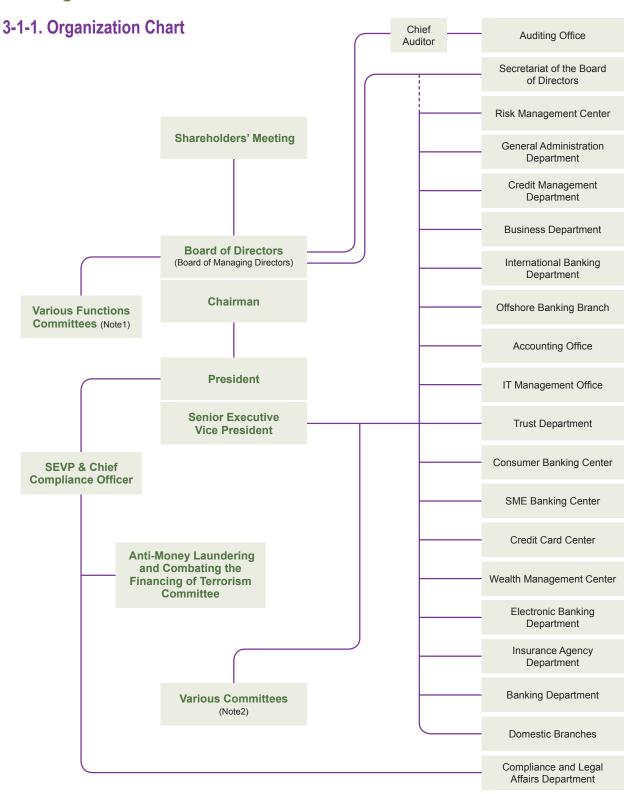
COTA Bank was formerly named "Liability Taichung Third Credit Cooperative". Founded in 1915, we have consistently conveyed the corporate philosophy featuring, well-sustained to combat in the financial environment characterized by severe competition, as "Integrity, Innovation, Cordiality and Service", in response to the increasingly competitive financial market. In accordance with the promulgation of "Regulations and Criteria Governing Reorganization of Credit Cooperative into Commercial Banks", COTA Bank started the reorganization task and launched reorganization in Dec. 1995. On Jul. 27, 1998, COTA Bank was officially approved by Ministry of Finance to be transformed into "COTA Commercial Bank".

In 2005, COTA Bank invited Fengyuan Credit Cooperative to consider a merger proposal for mutual benefits to enhance competitive capacity by expanding business scale. After sincere bilateral negotiation and consideration, COTA Bank decided to wholly acquire Fengyuan Credit Cooperative. Approved by shareholders' meeting of both parties, Fengyuan Credit Cooperative was formally merged into COTA Bank on Jan. 01, 2006.

Outlook for the future, COTA Bank is determined to become a full-array commercial bank in spite of quick-changing financial market. Under the support of shareholders and members of board, and the endeavor of all staffs, introduce a broader range of online application service. We are committed to providing all-aspect services for our customers by constant business growth, scale expansion and product diversification. In addition, when facing internet digital rapid growth of the generation, COTA Bank will strengthen the research and development of online real financial transactions, and cooperate with the competent authorities to promote the digital financial environment to provide customers with a full range of financial services.



3-1. Organization



NOTE1. Audit Committee, Remuneration Committee, Nomination of Directors Committee, etc.

NOTE2. Loan Committee, Personnel Appraisal Committee, Trust Assets Screening Committee, Financial Product & Regulation Committee, Asset & Liability and Risk Management Committee, Security Council supervision Committee, TWD Securities Investment Committee, Foreign Securities Investment Committee, etc

3-1-2. Major Business of Each Division

3-1-2-1. Secretariat of the Board of Directors

Taking charge of such key tasks of the Board of the Directors and official seal keeping, bank affairs, corporate governance, convening of shareholders' meeting, the Board of the directors and related meetings, election for director and supervisor, etc.

3-1-2-2. General Administration Department

Taking charge of bank's official seals, documentation, construction and repair, procurement, property control, public relations, general affairs, personnel affairs, organization management, and affairs not designed to other departments.

3-1-2-3. Credit Management Department

Taking charge of planning, review and recheck of all loan affairs of the bank, credit investigation, promotion and management for corporate baking, etc.

3-1-2-4. Business Department

The Department takes charge of deposits, remittance, affairs of the cashier, warehousing, custody, agency, investment, and safe protection.

3-1-2-5. International Banking Department

Taking charge of the bank's foreign currency funds management and foreign exchange related operation, planning, administration and promotion.

3-1-2-6. Offshore Banking Branch

Taking charge of the offshore banking related operation, management and investment.

3-1-2-7. Audit Office

Auditing over bank's business, accounting, finance, bank affairs, and reserved inventory.

3-1-2-8. Accounting Office

Taking charge of bank's accounting, statistics, calculate annual revenues, and analyze financial statement.

3-1-2-9. IT Management Office

Taking charge of the bank's IT related planning automation, development, operation and management.

3-1-2-10. Banking Department

Engaging in the commercial bank services (Approved by the Central Bank of R.O.C.) as well as trust banking services.

3-3-1-2-11. Trust Department

Planning, promoting, and managing the trust banking related affairs.

3-1-2-12. Risk Management Center

Taking charge of formulation and revise for risk management policies, plan and design for risk management system, establishment and integration for risk management guidelines, monitoring the performance and others; the Bank's non-performing loans related planning, tracing and management.

3-1-2-13. Consumer Banking Center

Taking charge of planning, review, dunning on overdue receivables, credit investigation, recheck of all loan affairs of the consumer and promote financial products.

3-1-2-14. SME Banking Center

Taking charge of planning, review, dunning on overdue receivables, credit investigation, recheck of all loan affairs of the SME and promote financial products.

3-1-2-15. Credit Card Center

Taking charge of bank's credit card affairs related planning, promotion and management.

3-1-2-16. Wealth Management Center

Taking charge the business of the Wealth Management, planning the sales for non-wealth management customers, and managing financial representatives.

3-1-2-17. Compliance and Legal Affairs Department

Taking charge the planning, management and implement of the regulatory compliance system and legal affairs in regulatory compliance office. Taking charge the prevention of money laundry and fighting against terrorism in anti-money-laundry office.

3-1-2-18. Electronic Banking Department

Taking charge the planning and promotion of the electronic banking channel.

3-1-2-19. Insurance Agency Department

Taking charge the planning, marketing, training and managing sales of the life and property insurance agency business.

Above-mentioned department, office or center may, based on business need, propose for Board of Directors' resolution to establish, dismiss or combine. Units of H.O. may institute north or south regional centers and their joint office.

3-2. Major Information of Directors, Supervisors, Executives and the Principal Officers

3-2-1-1. List of Directors and Supervisors

Title (Nationality)	Name (Gender)	Elected Date	First Elected	Elected Shares Owned Current Shares Owned		Shares Owned by Spouses and Minor Children			
(Nationality)	(Gender)	(Tenure, yrs)		No. of Shares	%	No. of Shares	%		
Chairman (R.O.C.)	Song-Yie Liao (Male)	2020.12.29 (Director 2020.12.19) (2.5)	2005.05.25	88,717,250	9.5900	2,414,044	0.2609		
Managing Independent Director (R.O.C.)	Kun-Hsien Lin (Male)	2020.12.29 (Director 2020.12.19) (2.5)	2014.12.29	2,376,447	0.2569				
Managing Independent Director (R.O.C.)	Hong-Chi Chang (Male)	2020.12.29 (Director 2020.12.19) (2.5)	2019.12.29						
Managing	Chuan Cheng Hat Co., Ltd.	2020.12.29 (Director 2020.12.19) (2.5)		17,324,563	1.8727				
Director (R.O.C.)	Chuan Cheng Hat Co., Ltd. Assigned Representative: Chin-Yuan Lai (Male)		2020.12.19)	2020.12.19)	2020.12.19)	2014.12.29	323	0.0000	
Managing Director (R.O.C.)	Jung-Hsien Chiu (Male)	2020.12.29 (Director 2020.12.19) (2.5)	2020.12.29	1,745,574	0.1887				
Independent Director (R.O.C.)	Tsung-Ta Kuo (Male)	2020.12.19 (2.5)	2017.12.23						
Director (R.O.C.)	Ying-Che Chang (Male)	2020.12.19 (2.5)	2002.01.01	3,058,449	0.3306	40,901	0.0044		

Education & Key Work Experience	Current Positions for the Bank or other companies
Department of Economics, Hosei University of Tokyo, Japan Chairman of Chuan Cheng Hat Co., Ltd.	Director of Chuan Cheng Hat Co., Ltd. Director of Chuan Chi Co., Ltd. Independent Director of Formosan Union Chemical Corp.
Collage of Law, National Taiwan University Master's Program, Graduate Institute of Financial and Economic Law, Feng Chia University Director of the 8 th Crime Victims Protection Association Director of Taichung Bar Association Member of Taiwan Bar Committee on the Discipline Chairman of Taichung NTU Alumni Association Member of the Prosecutor's Evaluation Committee Member of Taichung City Building Regulations Subcommittee	Manager of Chan Hsin Law Firm Independent Director of Yung Shin Global Holding Co. Ltd. Independent Director of Yung Shin Pharmacy Ind. Co., Ltd. (Representative of a legal entity) Director of Kunhe Industrial Co., Ltd. Director of Dexian Industrial Co., Ltd.
Master Program of Agricultural Economics, National Chung Hsing University President of Chang Hwa Bank Chief Auditor and Vice President of Bank of Taiwan Director of Mega Bills Finance Co., Ltd. Director of Taiwan Life Insurance Co., Ltd. Director of Taiwan Futures Exchange Director of Taiwan Business Bank Supervisor of BankTaiwan Securities Co., Ltd. Director of BankTaiwan Life Insurance Co., Ltd.	
Department of Economics, Tunghai University Vice President of Mega International Commercial Bank President Shin Kong Bank Chairman of Taichung Bank	
Graduate Institute of Industrial Management, National Cheng Kung University Vice President of COTA Commercial Bank	President of COTA Commercial Bank
Graduate Institute of Accounting and Public Finance, Feng Chia University Tax auditor of the National Taxation Bureau of the Central District of the Ministry of Finance	Chief Accountant of Chien-Yao CPAs
Department of International Business ,Feng Chia University President of COTA Bank Chairman of COTA Bank Insurance Broker Co., Ltd. (Representative of a legal entity)	Director of COTA Culture and Education Foundation

Title (Nationality)	Name (Gender)	Elected Date (Tenure, yrs)	First Elected	Elected Shares Owned Current Shares Owned		Shares Owned by Spouses and Minor Children	
(mationality)	(30.1001)	(1011010, 313)		No. of Shares	%	No. of Shares	%
Director (R.O.C.)	Xian-De Lai (Male)	2020.12.19 (2.5)	2005.05.25	4,626,963	0.5002	11,513	0.0012
Director (R.O.C.)	Chun-Chieh Wang (Male)	2020.12.19 (2.5)	2014.12.29	12,960,287	1.4010		
Director (R.O.C.)	Chien-Chung Lai (Male)	2020.12.19 (2.5)	2017.12.23	3,390,708	0.3665	2,992,415	0.3235
Director (R.O.C.)	Ting-Lieh Huang (Male)	2020.12.19 (2.5)	2020.12.29	2,032,988	0.2198	775,847	0.0839
Director (R.O.C.)	Chao-Ching Hsu (Male)	2020.12.19 (2.5)	2020.12.29				
Director (R.O.C.)	Pei-Chen Wang (Female)	2020.12.19 (2.5)	2020.12.29				
Director (R.O.C.)	Juo-Ping Lin (Female)	2020.12.19 (2.5)	2020.12.29				
	Chuan Chi Co., Ltd.			31,582,189	3.4139		
Director (R.O.C.)	Yuan-Chung Huang Representative: Chuan Chi Co., Ltd. (Male)	2020.12.19 (2.5)	2020.12.29	9,629	0.0010		

NOTE: When the chairman of the board and the chairman or the person with equivalent position (the top manager) are the same person, each other's spouse or relatives, they shall explain the reasons, rationality, necessity and reasons such as increasing the number of independent directors, and more than half of the directors are not concurrently serving as employees or managers, etc.

Education & Key Work Experience	Current Positions for the Bank or other companies
Department of Public Finance and Taxation, National Chung Hsing University President of Tung Yang Business Co., LTD. Chairman of Taiwan Barley Products Industry Association	Chairman of Tung Yang Business Co., Ltd. Chairman of Tung Yang Investment Co., Ltd. Managing Director of Taiwan Flour Mills Associate Director of Hsiuping University of Science and Technology
Mingdao High School	Chairman of Mingdao Private High School Director of Hon Dao senior citizen welfare foundation
Department of French, Chinese Culture University Overseas Chinese Affairs Committee of Overseas Community Affairs Council, R.O.C. Vice President of The Council of Asia Taiwanese Chambers Of Commerce President of The Council of Taiwan Chambers of Commerce In Vietnam President of Chiao Sang Footwears Inc. Supervisors of Lu Yueh Enterprise Co., Ltd. Advisory Committee of Overseas Community Affairs Council, R.O.C. Consultant of Taiwan Association of Machinery Industry –Machinery for Shoe Advisory Committee of Asia Taiwanese Chambers Of Commerce Consultant of Overseas Chinese Culture and Education Foundation	Director of Overseas Taiwan Commercial Travel Agency Ltd Co.
Mingdao High School	President of Cheng Shing Tai Biopharmaceutical Co., Ltd. Director of Taiwan Jundan Co., Ltd. Director of Tiansheng Broadcasting Co., Ltd. Supervisor of Kinmaruman Co., Ltd. Supervisor of Yummy Catering Co., Ltd.
Doctor of Law degree, National Chung Cheng University Judge of Chiayi District Court, Taiwan Partner Lawyer of International Commercial Law Firm Visiting Scholar, Duke University School of Law Senior Visiting Scholar, University of California, Berkeley Chairman of Taiwan Property Law and Economic Law Research Association	Presiding Lawyer of Lex Pro Attorneys-at-Law Director of Yungtay Engineering Co., Ltd. Independent Director of United Renewable Energy Co., Ltd. Director of Lex Pro Consulting Co., Ltd. Independent Director of SyneuRx International (Taiwan) Corp.
The Department of Finance, National Taiwan University	Manager of Management Department of Famous International Beauty Co., Ltd.
Master of Information Management, National Chung Cheng University President of Topoint Technology Management Center Chairman's Special Assistant of Topoint Technology Management Center Consultant of i2 Technologies Inc.	President of Topoint Technology Co., Ltd. Chairman of Drill-Tek Corporation (Representative) Director of Moneyou Company Limited Supervisor of Unipoint Technology Co., Ltd.
College Degree	President of Chuan Cheng Hat Co., Ltd.

3-2-1-2. Major Institutional Shareholder:

As of Dec. 31, 2020

Institutional Shareholder	Major Shareholders of Institutional Shareholders
Chuan Cheng Hat Co., Ltd.	Song-Yie Liao (68.35%), Ching-Ling Liu (12.36%), Po-Chi Liao (9.83%), Po-Chun Liao (9.46%)
Chuan Chi Co., Ltd.	Song-Yie Liao (51.26%), Ching-Ling Liu (24.40%), Po-Chi Liao (9.97%), Po-Chun Liao (14.37%)

3-2-1-3.

Qualifications	professional requi	isors shall meet one of rements, together with irs work experience.		Independent status (Note2)												
Name	An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, or university.	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business.	Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.	1	2	3	4	5	6	7	8	9	10	11		Number of serve as an independent director of public companies.
Song-Yie Liao		-	✓	✓					✓	✓	✓	✓	✓	✓	✓	1
Kun-Hsien Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hong-Chi Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chin-Yuan Lai (Chuan Cheng Hat Co., Ltd.)			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		
Jung-Hsien Chiu			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Tsung-Ta Kuo		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Ying-Che Chang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Xian-De Lai			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chien-Chung Lai			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chun-Chieh Wang			✓	✓				✓	✓	✓	✓	✓	✓	√	✓	
Ting-Lieh Huang			✓	√		√	✓	✓	✓	✓	✓	✓	✓	√	✓	
Chao-Ching Hsu		✓	✓	√		√	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Pei-Chen Wang			✓	√		√	✓	✓	✓	√	√	√	√	√	✓	
Juo-Ping Lin			✓	√		√	✓	✓	√	√	√	✓	✓	✓	✓	
Yuan-Chung Huang (Chuan Chi Co., Ltd.)			√	✓		✓	✓		✓	✓	✓	✓	✓	✓		

Note 1: The number of the column will be adjusted by real numbers.

Note 2: During 2 years before being elected or the tenor, directors or supervisors who meet the following conditions shall mark with "V" in correspondent boxes.

- 1. Neither employees of Bank nor its affiliates.
- 2. Neither a director/supervisor of Bank nor its affiliates, unless the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
- 3. Not an individual shareholder who holds shares, together with those held by the person spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- 4. Not a spouse or relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- 5. Not directors, supervisors, or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Bank or ranks among the top 5 corporate shareholders in the terms of share volume held.
- 6. Not directors, supervisors, or executive officer, or shareholder holding 5% or more shares of a specific company or institution and who also has financial or business dealings with the company.
- 7. Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the Bank or to any affiliates.
- 8. Directors, supervisors, managers or shareholders holding more than 5% of specific companies or institutions that do not have financial or business dealings with banks.
- 9. Non-banking or related corporations that provide audit or business owners, partners, directors, supervisors, managers and their spouses of the professionals (business, legal, financial, accounting), sole proprietorship, partnership, company or institution whose cumulative amount of remuneration in the past two years has not exceeded TWD 500,000.
- 10. Not a spouse or relative within the second degree of kinship within directors.
- 11. Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- 12. Not elected in the capacity of government agency, legal entity, or its representative thereof, as provided in the Article 27 of the Company Act.



3-2-2. List of Executives and Principal Officers

Title	Name	Date of	Shares O	wned	Shares O by Spouse Minor	es and	Shares He	
		Inauguration	No. of Shares	%	No. of Shares	%	No. of Shares	%
President	Jung-Hsien Chiu	May. 01, 2017	1,745,574	0.189	-	-	-	-
Chief Auditor	Chih-Sheng Hsiao	Jan. 01, 2014	1,298,521	0.140	392,498	0.049	-	-
Senior Executive Vice President	Yun-Ching Wang	Jul. 01, 2016	592,334	0.064	293,392	0.036	-	-
Senior Executive Vice President	Huan-Mou Cheng	Jul. 01, 2016	330,373	0.036	173,292	0.021		
Senior Executive Vice President	Kuang-Hsiung Huang	Sep. 17, 2018	452,616	0.049	397,758	0.049	-	-
Executive Vice President (Branch General Manager)	Shih-Chien Chin	Sep. 04, 2017	977,340	0.106	228,880	0.028	-	-
Executive Vice President	Wei-Bin Lin	Jul. 01, 2016	293,108	0.032	-	-	-	-
Executive Vice President	Hung-Tsang Chiang	Nov. 16, 2020	357,362	0.039	183,050	0.023	-	-
Executive Vice President (Branch General Manager)	Wen-Lung Chen	Sep. 04, 2017	622,505	0.067	118,104	0.015	-	-
Executive Vice President (Branch General Manager)	His-Tung Chang	Jan. 09, 2016	901,172	0.097	4,534	0.001	-	-
Executive Vice President (Branch General Manager)	Chien-Cheng Hsu	Apr. 08, 2015	866,295	0.094	138,816	0.017	-	-
Executive Vice President	Chang-Chieh Lin	Oct. 15, 2013	350,007	0.038	-	-	-	-
Department General Manager	Shi-Zhao Lee	Sep. 17, 2018	275,290	0.030	154,919	0.019	-	-
Department General Manager	Wen-Sheng Lai	Nov. 16, 2020	208,329	0.023	132,848	0.016	-	-
Department General Manager	Ming-Heng Chan	Sep. 01, 2013	311,739	0.034	62,091	0.008	-	-
Department General Manager	Chuan-Hung Yang	Feb. 07, 2015	211,133	0.023	-	-	-	-
Department General Manager	Chun-Sheng Lin	Apr. 01, 2010	215,811	0.023	58,926	0.007	-	-

	7.0 0. 000. 01, 2	020, Orlares Field (70)
Education & Key Past Positions	Other Positions Held Current	Note (Note3)
Department of Industrial and Information Management, National Cheng Kung University, Master Senior Executive Vice President of COTA Bank	-	-
Department of Public Finance and Taxation, Feng Chia University Senior Executive Vice President of COTA Bank	-	-
Department of Finance, National Chung Hsing University, Master Executive Vice President of COTA Bank, General Manager of IT Management Office	-	-
Department of Applied Commerce, National Open College of Continuing Education Affiliated to NTIT Executive Vice President of COTA Bank, General Manager of Taichung Branch	-	-
Department of Economics, Feng Chia University Executive Vice President of COTA Bank, General Administration Department	-	-
Department of Applied Math., University of North Texas, USA, Master Executive Vice President of COTA Bank, General Manager of Credit Management Department	-	-
Graduate School of Management, University of California at Riverside, Master Department General Manager of COTA Bank, International Banking Department and Offshore Banking Branch	-	-
Department of Public and Management, Supplementary Junior College of the National Open University Department General Manager of COTA Bank, Credit Card Center and Wealth Management Center	-	-
Department of Business Administration, Chaoyang University of Technology Branch General Manager of COTA Bank, Nanmen Branch	-	-
Department of Electronics Engineering, Kuang-Hwa Vocational High School of Technology Branch General Manager of COTA Bank, Zanghua Branch	-	-
Department of Business Administration, Tunghai University, Chief Secretary of COTA Bank, Secretariat of The Board of Directors	-	-
Department of Economics, Tunghai University Department General Manager of COTA Bank, Business Department	-	-
Department of Business Administration, Chung Yuan University Branch General Manager of COTA Bank, Xinzhuang Branch	-	-
Department of Computer Science and Information Engineering, Chung Yuan University Deputy General Manager of COTA Bank, Information Department	-	-
Master Program in Senior Executive Master of Business Administration, Chaoyang University of Technology Deputy General Manager of COTA Bank, Business Department	-	-
Department and Graduate Institute of Finance, Chaoyang University of Technology Deputy General Manager of COTA Bank, Risk Management Center	-	-
Department of Chemical Engineering, Chung Yuan Christian University Deputy General Manager of COTA Bank, Risk Management Center	-	-

Title	Name	Date of	Shares O	wned	Shares O by Spouse Minor	es and	Shares He Surroga	
		Inauguration	No. of Shares	%	No. of Shares	%	No. of Shares	%
Department General Manager	Chi-Nan Huang	Jul. 01, 2016	103,973	0.011	-	-	-	-
Department General Manager	Jun-Long Tsai	Jul. 01, 2016	224,724	0.024	284,855	0.035	-	-
Branch General Manager	Ming-Yung Yu	Aug. 01, 2014	269,025	0.029	32,251	0.004	-	-
Department General Manager	Yung-Hsieh Chen	Dec. 01, 2015	32,737	0.004	-	-	-	-
Department General Manager	Chen-Chuan Kuo	May. 01, 2017	17,921	0.002-	-	-	-	-
Branch General Manager	Jui-Sen Liao	Jan. 01, 2018	280,026	0.030	8,463	0.001	-	-
Branch General Manager	Chih-Hung Huang	Jan. 01, 2018	496,698	0.054	158,175	0.020	-	-
Branch General Manager	Cheng-Hsien Hsieh	Aug. 01, 2014	578,611	0.063	134,447	0.017	-	-
Branch General Manager	Mei-Ling Shih	Jul. 01, 2016	371,783	0.040	41,878	0.005	-	-
Branch General Manager	Ling-Chen Ting	Jan. 01, 2018	789,576	0.085	-	0.000	-	-
Branch General Manager	Mao-Sheng Huang	Aug. 01, 2014	360,699	0.039	79,010	0.010	-	-
Branch General Manager	Chi-Shen Huang	Jan. 08, 2014	739,114	0.080	81,447	0.010	-	-
Branch General Manager	Hung-Chi Tung	Jan. 01, 2012	520,429	0.056	374,141	0.046	-	-
Branch General Manager	Chang-Cheng Chen	Jan. 09, 2016	271,749	0.029	989	0.000	-	-
Branch General Manager	Chia-Wen Ke	Dec. 08, 2014	351,362	0.038	-	-	-	-
Branch General Manager	Tzu-Hsiu Liang	Apr. 01, 2016	218,289	0.024	87,977	0.011	-	-
Branch General Manager	His-Hsien Wang	Jan. 09, 2016	287,207	0.031	-	-	-	-

Education & Key Past Positions	Other Positions Held Current	Note (Note3)
Department of Public Administration, National Chung Hsing University Deputy General Manager of COTA Bank, International Banking Department and Offshore Banking Branch	-	-
Department of Business Administration, National Chung Cheng University, Master Deputy General Manager of COTA Bank, Business Department	-	-
Department of Business Administration, Taichung College of Business Branch General Manager of COTA Bank, Hsinchu Branch	-	-
Department of Computer Science and Information Engineering (CSIE),National Taiwan University, Master Senior Engineer of ASUS	-	-
Department of Risk Management & Insurance , Feng Chia University, Master Deputy General Manager of COTA Bank, Business Department	-	-
Department of Public Finance and Taxation, Institute of Industrial & Business Administration, Tamsui Oxford College Branch General Manager of COTA Bank, Chengong Branch	-	-
Department of Applied Commerce, National Open College of Continuing Education Affiliated to NTIT Department General Manager of COTA Bank, Credit Card Center	-	-
Department of Business, The National Open University Branch General Manager of COTA Bank, Dazhi Branch	-	-
Department of International Business, National Open College of Continuing Education Department General Manager of COTA Bank, Trust Department	-	-
Department of Banking and Insurance, National Taichung Institute of Technology Department General Manager of COTA Bank, Business Department	-	-
Department of Finance, Chung Hua University Branch General Manager of COTA Bank, Xinzhu Branch	-	-
Department of Banking and Insurance, National Taichung Institute of Technology Branch General Manager of COTA Bank, Banciao Branch	-	-
Department of Applied Commerce, National Open College of Continuing Education Affiliated to NTIT Branch General Manager of COTA Bank, Fengxin Branch	-	-
Department of Extension Business Vocational School, National Taichung Institute of Technology Branch General Manager of COTA Bank, Fengxin Branch	-	-
Department of Technology Management, Chung Hua University, Master Commissioner of COTA Bank, Credit Management Department	-	-
Department of Business Administration, Feng Chia University, Master Project Manager of COTA Bank, Credit Management Department	-	-
Department of Law, Soochow University Branch General Manager of COTA Bank, Taipei Branch	-	-

Title	Name	Date of	Shares O	wned	Shares O by Spouse Minor	es and	Shares Held under Surrogate A/C	
		Inauguration	No. of Shares	%	No. of Shares	%	No. of Shares	%
Branch General Manager	Cheng-Hao Wu	Jan. 08, 2014	169,093	0.018	-	-	-	-
Branch General Manager	Shu-Chen Shih	Jan. 09, 2016	589,044	0.064	-	-	-	-
Branch General Manager	Shih-Tsung Liu	Jun. 24, 2013	440,071	0.048	390,000	0.048	-	-
Branch General Manager	Hong-Yi Chen	Jul. 01, 2016	283,873	0.031	387,496	0.048	-	-
Branch General Manager	Kuo-Mao Wu	Jan. 01, 2017	32,362	0.003	-	-	-	-
Branch General Manager	Pi-Lan Hsu	Sep. 17, 2018	15,200	0.002	-	-	-	-
Branch General Manager	Cheng-Chien Ho	Nov. 16, 2020	372,234	0.040	-	-	-	-
Branch General Manager	Ping-Hung Chuang	Oct. 01, 2012	130,063	0.014	-	-	-	-
Branch General Manager	Hsien-Hsun Chiang	Jun. 24, 2013	361,412	0.039	23,108	0.003	-	-
Branch General Manager	Tseng-Yi Huang	Jan. 06, 2020	86,606	0.009	-	-	-	-
Branch General Manager	Tien-Long Yang	Jul. 01, 2014	257,300	0.028	54,247	0.007	-	-
Branch General Manager	Po-Hsun Chang	Oct. 01, 2015	63,697	0.007	-	-	-	-
Branch General Manager	Chung-Yi Hsu	Jan. 09, 2016	370,581	0.040	133,785	0.017	-	-
Branch General Manager	Yung-Hung Tsao	Mar. 01, 2015	152,112	0.016	-	-	-	-

Note: 3. The general manager or equivalent (the top manager) and the chairman are the same person, or are relatives such as spouse or first-degree relatives, and should explain the reason, rationality, necessity and relevant information about the measures(For example, to increase the number of independent directors, more than half of the directors must not serve as employees or managers)

Education & Key Past Positions	Other Positions Held Current	Note (Note3)
Department of Business Administration, Fujen Catholic University Deputy General Manager of COTA Bank, Banciao Branch	-	-
Department of Social Science, The National Open University Branch General Manager of COTA Bank, Fengdong Branch	-	-
Department of Business, The National Open University Branch General Manager of COTA Bank, Fengle Branch	-	-
Department of Applied Commerce, National Taichung Institute of Technology Deputy General Manager of COTA Bank, General Administration Department	-	-
Department of International Business, Tatung College of Business Project Manager of COTA Bank, Ciaotou Branch	-	-
EMBA in General Management, Chang Gung Universty, Master Deputy General Manager of COTA Bank, Xinzhuang Branch	-	-
Department of Applied Foreign Languages, National Taichung Institute of Technology Deputy General Manager of COTA Bank, Yuanlin Branch	-	-
The National Kaohsiung First University of Science and Technology, Graduate Institute of Business Management Senior Manager of Jih Sun International Bank	-	-
Department of Cooperative Economics, Tamkang University Branch General Manager of COTA Bank, Zhongshan Branch	-	-
Department of International Business, Tunghai University Deputy General Manager of COTA Bank,Nantun Branch	-	
Department of Finance, Chaoyang University of Technology Deputy General Manager of COTA Bank, Taichung Branch	-	-
Department of Finance, Chaoyang University of Technology, Master Project Manager of COTA Bank, Zhungshan Branch	-	-
Department of Applied Commerce, National Open College of Continuing Education Affiliated to NTIT Branch General Manager of COTA Bank, Taoyuan Branch	-	-
Department of Business Administration, Feng Chia University, Master Project Manager of COTA Bank, Nantun Branch	-	-

3-2-3. Directors (including, Supervisors, President and Executive Vice Presidents) Remuneration in Recent Year

(1) Directors' Remuneration

					Compe	nsation			
Title	Name		vards A)	1	on and nuation (B)		ning ution (C)		ssional tice (D)
Hitc	Nume	Bank	Con- Solidation	Bank	Con- Solidation	Bank	Con- Solidation	Bank	Con- Solidation
Chairman	Song-Yie Liao								
Director	Ying-Che Chang								
Director	Xian-De Lai								
Managing Director	Chuan Cheng Hat Co., Ltd. Assigned Representative: Min-Chang Lin (Feb.11, 2020 dismissal)								
Managing Director	Chuan Cheng Hat Co., Ltd. Assigned Representative: Chin-Yuan Lai (Feb. 12, 2020 reassign)								
Director	Chien-Chung Lai	1							
Director	Chun-Chieh Wang								
Director	Chi-Peng Yang Representing: Chia De Development and Investment Co., Ltd. (Dec.18, 2020 dismissal)								
Director	Kang-Wei Chang Representative: Jin Yu Hua Investment Co., Ltd. (Dec.18, 2020 dismissal)	11,760	11,760	-	-	14,864	14,864	1,110	1,110
Director	Yu-Chi Huang Representative: Jin Yu Hua Investment Co., Ltd. (Mar.31, 2020 dismissal)								
Director	Yao-Yu Chang Representative: Jin Yu Hua Investment Co., Ltd. (Apr. 1 , 2020 reassign) (Dec.18, 2020 dismissal)								
Director	Ching-Wen Cheng Representative: Jin Yu Hua Investment Co., Ltd. (Mar.31, 2020 dismissal)								
Director	Ying-Ta Chi Representative: Jin Yu Hua Investment Co., Ltd. (Mar. 24, 2020 dismissal)								

As of Dec. 31, 2020, Unit: TWD thousand

Sum of A	,B , C and D				ions receive	d by part-tir	ne employee	es			A,B,C,D,	Whether or not any
	x profit (%)		us and Special ement (E)	Pensi Superani	on and nuation (F)	Emp	loyee Bonus	Distributio	n (G)		G / after-tax fit (%)	compensation is received from other
Bank	Con-	Bank	Con-	Bank	Con-)TA	Consolidation		СОТА	Con-	reinvested businesse than subsidiaries or
Dalik	Solidation	Dalik	Solidation	Dalik	Solidation	Cash Dividend	Stock Dividends	Cash Dividend	Stock Dividends	COIA	Solidation	parent company
4.00%	4.00%	6,096	6,096	6,676	6,676	310	-	310	-	5.88%	5.88%	NIL

					Compe	nsation			
Title	Name		vards (A)		ion and nuation (B)		rning ution (C)		ssional tice (D)
		Bank	Con- Solidation	Bank	Con- Solidation	Bank	Con- Solidation	Bank	Con- Solidation
Director	Ling-Hsuan Chen Representative: Jin Yu Hua Investment Co., Ltd. (Mar. 25, 2020 reassign) (Dec.18, 2020 dismissal)								
Director	Chin-Yun Lu Representative: Huasan Investment Co., Ltd (May. 19, 2020 dismissa)								
Director	Mao-Pin Su Representative: Huasan Investment Co., Ltd (May. 20, 2020 reassign) (Sep.29, 2020 dismissal)								
Director	Ming-Wei Hsu Representative: Huasan Investment Co., Ltd (Sep. 30, 2020 reassign) (Dec.18, 2020 dismissal)								
Managing Director	Jung-Hsien Chiu (Dec. 19, 2020 assign)								
Director	Ting-Lieh Huang (Dec. 19, 2020 assign)								
Director	Chao-Ching Hsu (Dec. 19, 2020 assign)								
Director	Pei-Chen Wang (Dec. 19, 2020 assign)								
Director	Juo-Ping Lin (Dec. 19, 2020 assign)								
Director	Chuan Chi Co., Ltd. Assigned Representative: Yuan-Chung Huang (Dec. 19, 2020 assign)								
Managing (Independent) Director	Kun-Hsien Lin								
Independent Director	Po-Yao Chi (Dec.18, 2020 dismissal)	2,640				0.710	0 - 10	000	000
Independent Director			2,640	-	-	3,716	3,716	366	366
Managing (Independent) Director	Hong-Chi Chang (Dec. 19, 2020 assign)								

Note: 1. Please explain the policy, system, standards and structure of independent directors 'remuneration payment, and explain the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: the remuneration of independent directors of the Bank is in accordance with the Bank 's" Articles of Association "and" "Directors and employees compensation policy" and other relevant regulations, according to their level of participation in the Bank's operations and with reference to industry standards, with the approval of the Salary and Remuneration Committee to the Board of Directors for discussion and approval.

Remarks: 1. Earnings after income tax amount to TWD694,017 thousands. 2. Director of Chih-Peng Yang is also General Manager of Credit Management Department.

^{2.} In addition to the disclosures in the above table, the remuneration received by the company's directors for all services provided in the financial report (such as serving as a consultant for non-employees) in the most recent year: 0

Cum of A	D. Cand D.		(Compensat	Sum of	A,B,C,D,	Whether or not any					
/after- tax	B , C and D or profit (%)	Salary, Bonu Disburs	us and Special ement (E)	Pensi Superani	on and nuation (F)	Emp	loyee Bonus	s Distributio	n (G)	E,F AND (G / after-tax fit (%)	compensation is received from other
Bank	Con- Solidation	Bank	Con- Solidation	Bank	Con- Solidation	Cash Dividend	Stock Dividends	Conso Cash Dividend	Stock Dividends	СОТА	Con- Solidation	reinvested businesses than subsidiaries or parent company
0.97%	0.97%	-	-	-	-	-	-	-	-	0.97%`	0.97%	NIL

Classification of Remuneration

Unit: TWD

Classification of	Name of Directors								
Remuneration for	Aggregate amour	nt of A, B, C and D	Aggregate amount of	A, B, C, D, E,F and G					
Directors	Bank	Consolidation	Bank	Consolidation					
below 1,000,000	Min-Chang Lin Chin-Yuan Lai Chi-Peng Yang Kang-Wei Chang Yu-Chi Huang Yao-Yu Chang Ching-Wen Cheng Ying-Ta Chi Ling-Hsuan Chen Chin-Yun Lu Mao-Pin Su Ming-Wei Hsu Hong-Chi Chang Jung-Hsien Chiu Ting-Lieh Huang Chao-Ching Hsu Pei-Chen Wang Juo-Ping Lin Yuan-Chung Huang Chuan Chi Co., Ltd.	Min-Chang Lin Chin-Yuan Lai Chi-Peng Yang Kang-Wei Chang Yu-Chi Huang Yao-Yu Chang Ching-Wen Cheng Ying-Ta Chi Ling-Hsuan Chen Chin-Yun Lu Mao-Pin Su Ming-Wei Hsu Hong-Chi Chang Jung-Hsien Chiu Ting-Lieh Huang Chao-Ching Hsu Pei-Chen Wang Juo-Ping Lin Yuan-Chung Huang Chuan Chi Co., Ltd.	Min-Chang Lin Chin-Yuan Lai Kang-Wei Chang Yu-Chi Huang Yao-Yu Chang Ching-Wen Cheng Ying-Ta Chi Ling-Hsuan Chen Chin-Yun Lu Mao-Pin Su Ming-Wei Hsu Hong-Chi Chang Ting-Lieh Huang Chao-Ching Hsu Pei-Chen Wang Juo-Ping Lin Yuan-Chung Huang Chuan Chi Co., Ltd.	Min-Chang Lin Chin-Yuan Lai Kang-Wei Chang Yu-Chi Huang Yao-Yu Chang Ching-Wen Cheng Ying-Ta Chi Ling-Hsuan Chen Chin-Yun Lu Mao-Pin Su Ming-Wei Hsu Hong-Chi Chang Ting-Lieh Huang Chao-Ching Hsu Pei-Chen Wang Juo-Ping Lin Yuan-Chung Huang Chuan Chi Co., Ltd.					
1,000,000 - 2,000,000	-	-	-	-					
2,000,000 - 3,500,000	Kun-Hsien Lin Ying-Che Chang Xian-De Lai Po-Yao Chi Tsung-Ta Kuo Chun-Chieh Wang Chien-Chung Lai Chuan Cheng Hat Co., Ltd. Chia De Development and Investment Co., Ltd. Huasan Investment Co., Ltd	Kun-Hsien Lin Ying-Che Chang Xian-De Lai Po-Yao Chi Tsung-Ta Kuo Chun-Chieh Wang Chien-Chung Lai Chuan Cheng Hat Co., Ltd. Chia De Development and Investment Co., Ltd. Huasan Investment Co., Ltd	Kun-Hsien Lin Ying-Che Chang Xian-De Lai Po-Yao Chi Tsung-Ta Kuo Chun-Chieh Wang Chien-Chung Lai Chuan Cheng Hat Co., Ltd. Chia De Development and Investment Co., Ltd. Huasan Investment Co., Ltd	Kun-Hsien Lin Ying-Che Chang Xian-De Lai Po-Yao Chi Tsung-Ta Kuo Chun-Chieh Wang Chien-Chung Lai Chuan Cheng Hat Co., Ltd. Chia De Development and Investment Co., Ltd. Huasan Investment Co., Ltd					
3,500,000 - 5,000,000	Song-Yie Liao	Song-Yie Liao	Song-Yie Liao Jung-Hsien Chiu	Song-Yie Liao Jung-Hsien Chiu					
5,000,000 - 10,000,000	Jin Yu Hua Investment Co., Ltd.	Jin Yu Hua Investment Co., Ltd.	Jin Yu Hua Investment Co., Ltd. Chih-Peng Yang	Jin Yu Hua Investment Co., Ltd. Chih-Peng Yang					
10,000,000 - 15,000,000	-	-	-	-					
15,000,000 - 30,000,000	-	-	-	-					
30,000,000 - 50,000,000	-	-	-	-					
50,000,000 - 100,000,000	-	-	-	-					
Above 100,000,000	-	-	-	-					
TOTAL	32 (Persons)	32 (Persons)	32 (Persons)	32 (Persons)					

(2) President and Senior Executive Vice President Remuneration

As of Dec. 31, 2020, Unit: TWD thousand

					Superviso	rs' Ren	nuneration					Sum of A	R C and D	Whether or not any compensation
Title	Name		vards(A) Note2)		sion and cannuation (B)	Distri	arning bution (C) Note3)	(C) Professional Practice(Note4)		ice(D)			is received from other reinvested businesses than	
		Bank	Con- solidation (Note5)	Bank	Con- solidation (Note5)	Bank	Con- solidation (Note5)	Ва	ınk	solid	on- lation te5)	Bank	Con- solidation (Note5)	subsidiaries or parent company (Note9)
President	Jung-Hsien Chiu							Cash	Stock	Cash	Stock			
Chief Auditor	Chih-Sheng Hsiao													
Senior Executive Vice President	Yun-Ching Wang	7,751	7,751	0	0	7,267	7,267					2.2762%	2.2762%	NIL
Senior Executive Vice President	Huan-Mou Cheng							780	0	780	0			
Senior Executive Vice President	Kuang-Hsiung Huang													

Note: Not applied as the Bank is not a listed company.

Classification of Remuneration

Unit: TWD

Classification of Remuneration for President	Name of President and Senior Executive Vice President				
and Senior Executive Vice President	Bank (Note 6)	Consolidation (Note7)			
below 1,000,000	-	-			
1,000,000 - 2,000,000	-	-			
2,000,000 - 3,500,000	Chih-Sheng Hsiao, Yun-Ching Wang, Huan-Mou Cheng, Kuang-Hsiung Huang	Chih-Sheng Hsiao, Yun-Ching Wang, Huan-Mou Cheng, Kuang-Hsiung Huang			
3,500,000 - 5,000,000	Jung-Hsien Chiu,	Jung-Hsien Chiu,			
5,000,000 - 10,000,000	-	-			
10,000,000 - 15,000,000	-	-			
15,000,000 - 30,000,000	-	-			
30,000,000 - 50,000,000	-	-			
50,000,000 - 100,000,000	-	-			
Above 100,000,000	-	-			
TOTAL	5 (Persons)	5 (Persons)			

Note 1: Remuneration paid to presidents and vice presidents should be disclosed aggregately with the names indicated for each remuneration range. Director should be listed in this table and table 1-2-1 and table 1-2-2 if he/she currently holds the position of presidents and vice presidents.

Note 2: Severance pay, additional pay and salary paid to presidents and vice presidents for the most recent fiscal year.

Note 3: Bonus, cash rewards, travel expenses, special disbursement, miscellaneous subsidies, house, vehicle and other pay and goods paid or provided to presidents and vice presidents. When house, vehicle is provided or exclusive pay is paid to presidents and vice presidents, the nature of the assets and the cost or market value of rent of houses and fuel expenses and miscellaneous should be disclosed. Salary of drivers, not to be included in remuneration, should be disclosed. According to "Share-based payment" in IFRS2, obtaining employee shares option certificate, new restricted employee shares, participating in cash injection for shares are to be included in remuneration.

- Note 4: The proposed amount of employee dividends, including stock dividends and cash dividends, paid to presidents and vice presidents approved by the board before shareholder's meeting. It should also fill in appendix table 1-3.
- Note 5: Total remuneration paid by the all companies (including our company) in the consolidated report to presidents and vice presidents should be disclosed.
- Note 6: Names of president and vice presidents must be disclosed in the suitable range based on the remuneration they received.
- Note 7: Total remuneration paid by the all companies (including our company) in the consolidated report to presidents and vice presidents should be disclosed. And names of president and vice presidents must be disclosed in the suitable range based on the remuneration they received.
- Note 8: Net income disclosed from latest financial statement of each company or parent company.
- Note 9: a. Remuneration amount received by presidents and vice presidents from non-group affiliates.
 - b. For remuneration received by presidents and vice presidents from non-group affiliates or parent company, the amount must be shown in the Column E under the Remuneration Range Table. The Column must be renamed to -Parent company and All Investment Businesses.
 - c. Remuneration refers to compensation, remuneration, employee dividends (including dividends to employee, board member and supervisor), and payments related to business execution expenses received by presidents and vice presidents of COTA serving as directors, supervisors or managers of non-group affiliates or parent company.
- * Remuneration shown under the chart is for disclosure purpose. It is not subject to "income" under the Income Tax Act, and thereby is not taxable.

(3) List of Compensation Paid to President. Executive Vice Presidents and General Managers

As of Dec. 31, 2020; Unit: TWD thousand

	Title	Name	Stock dividends	Cash Dividends	Total Amount	Total Amount/ Net Income (%)
	President	Jung-Hsien Chiu				
	Chief Auditor	Chih-Sheng Hsiao				
	Senior Executive Vice President	Yun-Ching Wang	_			
	Senior Executive Vice President	Huan-Mou Cheng				
	Senior Executive Vice President	Kuang-Hsiung Huang				
	Executive Vice President (Branch General Manager)	Shih-Chien Chin				
	Executive Vice President	Wei-Bin Lin				
	Executive Vice President	Hung-Tsang Chiang			5,711	0.82%
	Executive Vice President (Branch General Manager)	Wen-Lung Chen		5,711		
	Executive Vice President (Branch General Manager)	His-Tung Chang	- - - - -			
	Executive Vice President (Branch General Manager)	Chien-Cheng Hsu				
	Executive Vice President	Chang-Chieh Lin				
Manager	Department General Manager	Shi-Zhao Lee				
Manager	Department General Manager	Wen-Sheng Lai				
	Department General Manager	Ming-Heng Chan				
	Department General Manager	Chuan-Hung Yang				
	Department General Manager	Chun-Sheng Lin				
	Department General Manager	Chi-Nan Huang				
	Department General Manage	Jun-Long Tsai				
	Department General Manage	Ming-Yung Yu				
	Department General Manage	Yung-Hsieh Chen				
	Department General Manage	Chen-Chuan Kuo				
	Branch General Manager	Jui-Sen Liao				
	Branch General Manager	Chih-Hung Huang				
	Branch General Manager	Cheng-Hsien Hsieh				
	Branch General Manager	Mei-Ling Shih				

	Title	Name	Stock dividends	Cash Dividends	Total Amount	Total Amount/ Net Income (%)
Bran	nch General Manager	Ling-Chen Ting				
Bran	nch General Manager	Mao-Sheng Huang				
Bran	nch General Manager	Chi-Shen Huang				
Bran	nch General Manager	Hung-Chi Tung				
Bran	nch General Manager	Chang-Cheng Chen				
Bran	nch General Manager	Chia-Wen Ke				
Bran	nch General Manager	Tzu-Hsiu Liang				
Bran	nch General Manager	His-Hsien Wang				
Bran	nch General Manager	Cheng-Hao Wu				
Bran	nch General Manager	Shu-Chen Shih				
Bran	nch General Manager	Shih-Tsung Liu				
Bran	nch General Manager	Hong-Yi Chen				
Bran	nch General Manager	Kuo-Mao Wu				
Bran	nch General Manager	Pi-Lan Hsu				
Bran	nch General Manager	Cheng-Chien Ho				
Bran	nch General Manager	Ping-Hung Chuang				
Bran	nch General Manager	Hsien-Hsun Chiang				
Bran	nch General Manager	Tseng-Yi Huang				
Bran	nch General Manager	Tien-Long Yang				
Bran	nch General Manager	Po-Hsun Chang				
Bran	nch General Manager	Chung-Yi Hsu				
Bran	nch General Manager	Yung-Hung Tsao				

Note: Not applied as the Bank is not a listed company.



3-2-4. The consultant information of chairman and general manager of the retirement of a bank or its affiliates

		Pre-retirem	Pre-retirement position Date of Employm	Employment	Segregation		After-tax	
Title	Name	Institution and Title	Date of Retirement	Consultant	purpose	of Duties	Remuneration	profit
NIL								

3-2-5. Analysis of Remuneration Paid to Directors, Supervisors, and Executive Officers of the Bank and All Companies in the Consolidated Financial Statements as a Percentage of Net Profit after Tax during the Past Two Years

Hom	Total Amount / Net Income After Tax				
Item	Year 2020	Year 2019	%		
Director(Including independent director)	6.85%	4.96%	+1.89%		

Remarks

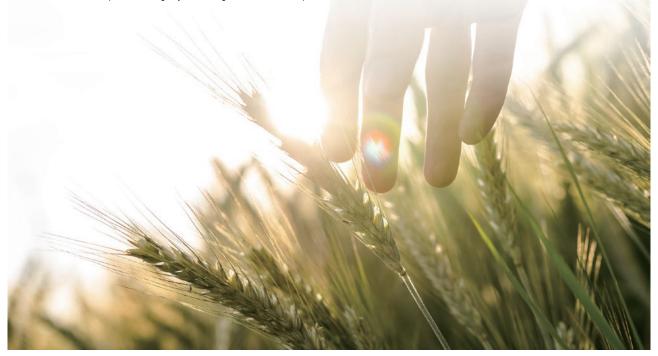
Remuneration of director is calculated based on bank's performance and regular gross profit and is paid in accordance with guidelines of the Bank's articles of incorporate and the resolution of shareholders' general meeting.

ltem	Total Amount / Net Income After Tax					
item	Year 2020	Year 2019	%			
President and Senior Executive Vice President	2.2762%	2.1109%	+0.1653%			

Remarks:

- 1. Remuneration for president and vice-president is paid in accordance with rules approved by the board of directors.
- 2. Payment of employee salary is calculated by related by-laws.
- 3. Annual profit should be paid 6% to employees and paid in stock or cash, it shall be decided by a resolution to be adopted by a majority vote of the directors at a meeting of the board of directors attended by at least a two-thirds of the entire directors of the company, and report to shareholder meeting.

4. Performance bonus is paid according to year earning status and rules of performance evaluation.



3-3. Operation of Corporate Governance

3-3-1. Operation of board of directors: 6 meetings were convened last year; and the records of attendance of directors and supervisors at the meetings are as below:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%)	Annotations
Chairman	Song-Yie Liao	6	0	100	Re-elected
Managing (Independent) Director	Kun-Hsien Lin	5	1	83	Re-elected
Managing (Independent) Director	Hong-Chi Chang	1		100	Dec. 18 th , 2020 New elected
Managing Director	Chuan Cheng Hat Co., Ltd. Duty holder: Ching-Yuan Lai (Feb. 12 th 2020 succeeded) Min-Chang Lin (Feb. 11 th , 2020 left)	6		100	Re-elected
Managing Director	Jung-Hsien Chiu	1		100	Dec. 18 th , 2020 New elected
Independent Director	Tsung-Ta Kuo	6	0	100	Re-elected
Director	Ying-Che Chang	6	0	100	Re-elected
Director	Xian-De Lai	6	0	100	Re-elected
Director	Chun-Chieh Wang	6	0	100	Re-elected
Director	Chien-Chung Lai	6	0	100	Re-elected
Director	Ting-Lieh Huang	1	0	100	Dec. 18 th , 2020 New elected
Director	Chao-Ching Hsu	1	0	100	Dec. 18 th , 2020 New elected
Director	Jo-Ping Lin	1	0	100	Dec. 18 th , 2020 New elected
Director	Pei-Chen Wang	1	0	100	Dec. 18 th , 2020 New elected
Director	Chuan Chi Ltd. Duty holder: Yuan-Chung Huang	1	0	100	Dec. 18 th , 2020 New elected
Independent Director	Po-Yao Chi	5	0	100	Dec. 18 th , 2020 Re-elected
Director	ChiaDe Development and Investment Ltd. Representative: Chi-Peng Yang	4	0	80	Dec. 18 th , 2020 Re-elected
Director	Kang-Wei Chang(Dismissal without reappointment) Representing: Jin Yu Hua Investment Co., Ltd.	0	1	0	Dec. 18 th , 2020 Re-elected

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%)	Annotations
Director	Yu-Chi Huang (Mar. 31 st , 2020 left) Yao-Yu Chang(Apr. 1 st , 2020 succeeded) Representing: Jin Yu Hua Investment Co., Ltd.	5	0	100	Dec. 18 th , 2020 Re-elected
Director	Ching-Wen Cheng (Mar. 31st, 2020 resigned without reappointment) Representing: Jin Yu Hua Investment Co., Ltd.	1	0	20	Dec. 18 th , 2020 Re-elected
Director	Yin Da Ji (Mar. 24 th , 2020 left) Lin-Hsuan Chen (Mar. 25 th , 2020 succeeded) Representing: Jin Yu Hua Investment Co., Ltd.	5	0	100	Dec. 18 th , 2020 Re-elected
Director	Chin-Yun Lu (May 19 th , 2020 resigned) Mao-Pin Su (Sep. 29 th , 2020 resigned) Ming-Wei Hsu (Sep. 30 th , 2020 succeeded) Representing: Huasan Investment Co., Ltd.	5	0	100	Dec. 18 th , 2020 Re-elected

Other matters to be noted:

a. Matters specified in Article 14-3 of the Securities Exchange Act:

Date and Order of Board Meeting	Motion	Opinion from Independent Directors and how it was handled
9 th meeting of the 8 th Board of Directors on Mar.25, 2020 11 th meeting of the 8 th Board of Directors on Aug.26, 2020	Annual and Semi-annual financial report.	
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	Capital increase from retained earnings of 2019.	
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	Appointment and Remuneration of CPA	
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	The Bank's 2019 Annual Report on the Overall Implementation of Information Security. Issuing a statement of overall information security implementation.	
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	The Bank's Annual Statement of Internal Control System.	
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	Audit report from accountancy firm. The Bank reports on the issues raised in the audit report.	
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	To gradually adjust the Bank's own capital to the average capital adequacy ratio of domestic banks, the Bank intends to issue new shares by cash capital increase.	
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	COTA Commercial Bank (including concurrent Insurance Agent business) Annual Statement on Internal AML/CFT Control.	
10 th meeting of the 8 th Board of Directors on Jun. 24, 2020	Signed a lease agreement with Third Credit Cooperative Educational Foundation for the front office area on the 2nd floor of the Bank's Chengkung Building.	
10 th meeting of the 8 th Board of Directors on Jun. 24, 2020	Due to the restructuring of the accounting firm's business, the Bank will change the accountant responsible for financial report audit and certification starting from the second quarter of 2020.	
12 th meeting of the 8 th Board of Directors on Nov. 2, 2020	Donation to Third Credit Cooperative Educational Foundation.	
12 th meeting of the 8 th Board of Directors on Nov. 2, 2020	Audit plan declaration form of 2020	
12 th meeting of the 8 th Board of Directors on Nov. 2, 2020	Amendments to the "Internal Control System".	
12 th meeting of the 8 th Board of Directors on Nov. 2, 2020	Appointment and removal of General Manager and General Auditor	

b. Other than matters hereinabove, resolutions which were objected or kept qualified opinion by independent board directors: None.

^{1.} In the event of any following circumstances occurring while the board meeting is convened, please state the date, session, motion, the opinion of independent directors and how the opinions are handled by the bank:

- 2. Recusal of directors based upon conflicts of interest:
 - ◆ 10th meeting of the 8th Board of Directors on Jun. 24, 2020:
 - Motion: Signed a lease agreement with Third Credit Cooperative Educational Foundation for the front office area on the 2nd floor of the Bank's Chengkung Building.

Name of director: Ying-Che Chang

Reason for recusal: Director of the Third Credit Cooperative Educational Foundation.

Voting participation situation: Interested person Director Ying-Che Chang abstained from the meeting and did not participate in the discussion and resolution of this case.

◆ 11th meeting of the 8th Board of Directors on Aug. 26, 2020:

■ Motion: Personnel Case.

Name of director: Chi-Peng Yang

Reason for recusal: Discussions involving himself.

Voting participation situation: Interested person Director Chi-Peng Yang abstained from the meeting and did not participate in the discussion and resolution of this case.

- ◆ 12th meeting of the 8th Board of Directors on Nov. 2, 2020
 - Motion: Audit plan declaration form of 2020

Name of director: Chi-Peng Yang

Reason for recusal: Chi-Peng Yang is the Executive Vice President of Credit Management Department.

Voting participation situation: Interested person Director Chi-Peng Yang abstained from the meeting and did not participate in the discussion and resolution of this case

■ Motion: Donation to Third Credit Cooperative Educational Foundation

Name of director: Ying-Che Chang

Reason for recusal: Ying-Che Chang is a director of Third Credit Cooperative Educational Foundation.

Voting participation situation: Interested person Director Ying-Che Chang abstained from the meeting and did not participate in the discussion and resolution of this case.

Motion: Personnel Case.

Name of director: Chi-Peng Yang

Reason for recusal: Discussions involving himself.

Voting participation situation: Interested person Director Chi-Peng Yang abstained from the meeting and did not participate in the discussion and resolution of this case.

- 3. Listed banks should disclose information on the evaluation cycle and period, the scope, method and content of the self(or peer) evaluation of the Board of Directors, and complete Table 2(2) in Schedule 2, which shows the implementation of the evaluation by the Board of directors. (Not applicable)
- 4. The objective of strengthening the functions of the Board of Directors and the execution status in the current and most recent year: Cooperate with the competent authority's laws and regulations to hold various new types of business and legal training courses (such as: Board of Supervisors' Operational Practices and Corporate Governance Sound Corporate Governance and Succession Planning, Challenges to the Banking Industry and its Management in the New International Trend of Money Laundering Prevention and Control, Corporate Malpractice Prevention Financial Security Protection (including money laundering cases), invite directors to participate actively to enhance professional knowledge and legal literacy.

3-3-2. Implementation of the evaluation of the Board of directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
N/A	N/A	N/A	N/A	N/A

3-3-3. Operation of the auditing committee:

7 Meetings were convened last year; and the records of attendance of independent directors at the meetings are as below:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%)	Annotations
Independent Director	Hong-Chi Chang	1	-	100	Newly appointed
Independent Director	Kun-Hsien Lin	7	-	100	Re-appointed
Independent Director	Tsung-Ta Kuo	7	-	100	Re-appointed
Independent Director	Po-Yao Chi	6	-	100	Already appointed

Other matters to be noted:

1. In the event of any following circumstances occurring while the audit committee is convened, please state the date, session, motion, the resolution of the audit committee and how the resolutions are handled by the bank:

a. Matters specified in Article 14-5 of the Securities Exchange Act:

Date and Order of Board Meeting	Proposal	Resolution	Opinion from bank to the resolution
9 th meeting of the 8 th Board of Directors on Mar.25, 2020 11 th meeting of the 8 th Board of Directors on Aug.26, 2020	Annual and Semi-annual financial report.	Unanimous consent	Resolution discussed and approved by board meeting
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	Capital increase from retained earnings of 2019.	Unanimous consent	Resolution discussed and approved by board meeting
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	Appointment and Remuneration of CPA	Unanimous consent	Resolution discussed and approved by board meeting
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	The Bank's 2019 Annual Report on the Overall Implementation of Information Security. Issuing a statement of overall information security implementation.	Unanimous consent	Resolution discussed and approved by board meeting
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	The Bank's Annual Statement of Internal Control System.	Unanimous consent	Resolution discussed and approved by board meeting
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	Audit report from accountancy firm. The Bank reports on the issues raised in the audit report.	Unanimous consent	Resolution discussed and approved by board meeting
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	To gradually adjust the Bank's own capital to the average capital adequacy ratio of domestic banks, the Bank intends to issue new shares by cash capital increase.		
9 th meeting of the 8 th Board of Directors on Mar.25, 2020	COTA Commercial Bank (including concurrent Insurance Agent business) Annual Statement on Internal AML/CFT Control.	Unanimous consent	Resolution discussed and passed by board meeting
10 th meeting of the 8 th Board of Directors on Jun. 24, 2020	Signed a lease agreement with Third Credit Cooperative Educational Foundation for the front office area on the 2nd floor of the Bank's Chengkung Building.	Unanimous consent	Resolution discussed and passed by board meeting
10 th meeting of the 8 th Board of Directors on Jun. 24, 2020	Due to the restructuring of the accounting firm's business, the Bank will change the accountant responsible for financial report audit and certification starting from the second quarter of 2020.	Unanimous consent	Resolution discussed and passed by board meeting
12 th meeting of the 8 th Board of Directors on Nov. 2, 2020	Donation to Third Credit Cooperative Educational Foundation.	Unanimous consent	Resolution discussed and passed by board meeting
12 th meeting of the 8 th Board of Directors on Nov. 2, 2020	Audit plan declaration form of 2020	Unanimous consent	Resolution discussed and approved by board meeting
12 th meeting of the 8 th Board of Directors on Nov. 2, 2020	Amendments to the "Internal Control System".	Unanimous consent	Resolution discussed and passed by board meeting
12 th meeting of the 8 th Board of Directors on Nov. 2, 2020	Appointment and removal of General Manager and General Auditor	Unanimous consent	Resolution discussed and approved by board meeting

b. Except for proposals hereinabove, any matter that has not been passed by the audit committee but has been adopted with the approval of two-thirds or more of all board directors: None.

- 2. Recusals of independent directors based upon conflict of interest: None
- 3. Communication among independent directors, the Chief Auditor and CPAs:
- (1) Communication between CPAs and independent directors:
 - 1. Accountants and independent directors are very well communicated when producing annual and semi-annual financial reports. Financial reports are provided to independent directors before meetings of audit committee. Chief accounting officer is invited to meetings of audit committee to report the certification of financial report and to ensure integrity of the certification, which is then audited by audit committee after approved by board resolution.
 - 2. A note from the accountant describing the auditor's responsibility for auditing the financial statements, the scope of the audit, key audit issues, independence, significant accounting standards or explanatory letters, regulatory and tax law updates. And will continue to communicate with the accountant at least annually in the future and incorporating that channel or mechanism into the Bank's internal operating procedures.
- (2) Communication between the chief auditor and independent directors:

 Director and independent directors are invited to semi-annual meetings discussing faults and issues listed in the report on internal audit and internal control. Other significant matters are also presented to the audit committee and the board of directors.

3-3-4. Items of Compulsory Disclosure in Accordance with Corporate Governance Best-Practice Principles for Banks: Please refer to 3-3-5.

3-3-5. Current Status of the Bank's Corporate Governance Practices and Its Comparison against the Corporate Governance Best-Practice Principles for Banks

			Differences from	
ltem	Υ	N	Status of Operation Summary	"The Corporate Governance guidelines for banking industry" and Reasons
I. Ownership structure and Shareholders' equity of the Bank (1) Has the bank established procedures handling shareholders' suggestions, queries, disputes and litigations, as well as act in accordance with said procedures? (2) Is the bank able to identify its major shareholders and the ultimate person or persons behind such shareholders? (3) Has the Bank established and implemented firewalls and risk management mechanisms between its affiliates.	√		 (1) Shareholder's suggestions and litigations are handled immediately by appropriate department. (2) The bank has appropriate department compiling list of major shareholders monthly. (3) No affiliates. 	No difference
 II. Duties of Board of Directors (1) Besides setting up the Compensation Committee and Audit Committee according to law, does the Bank voluntarily set up other functional committees? (2) Do the listed or OTC banks set up performance evaluation methods for their boards of directors and their evaluation methods, and conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the board of directors, and use them as reference for individual directors' remuneration and nomination for reappointment? (Note 2) (3) Does the Bank evaluate the independence of its CPAs on a regular basis? 	√		 (1) The Bank also established Nomination Committee. (2) Not a listed or OTC bank. (3) Assessment of the independency of appointed CPAs is conducted regularly. 	No difference.
III. Does the bank allocate appropriate and appropriate number of corporate governance staff and designate a head of corporate governance to be responsible for corporate governance related matters (including but not limited to providing directors and supervisors with information necessary for the execution of business, assisting directors and supervisors to comply with laws and regulations, handling matters related to board of directors and shareholders' meetings in accordance with the law, and preparing minutes of board of directors and shareholders' meetings)?	✓		The Bank has a designated head of corporate governance; the responsible unit is responsible for corporate governance-related matters.	No difference.

		Differences from		
Item	Υ	N	Status of Operation Summary	"The Corporate Governance guidelines for banking industry" and Reasons
IV. Has the bank established communication channels with its stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and set up a stakeholder section on the company's website, and appropriately responded to stakeholders' concerns on important CSR issues?	✓		The Company communicates face-to-face, by telephone, in writing or via the Internet; and periodically requests the directors to confirm the filing and updating of related party information by means of a written letter. Information of managers is updated every February and August. Operated according to COTA CMD No.10403619 (Oct. 15 2015)	No difference.
V. Disclosure of information (1) Has the Bank set up website for the disclosure of financial information and its corporate governance practices? (2) Any other methods adopted by the Bank for the disclosure of information (e.g., establishing English version website, appointing persons responsible for gathering and disclosing Bank information, implementing a spokesperson system, and placing the record of analyst meeting on its website)? (3) Does the bank announce and report its annual financial report within the time period after the end of the fiscal year in accordance with the relevant provisions of the Banking Act and the Securities and Exchange Act, and announce and report its first, second and third quarterly financial report and operations for each month well in advance of the required time period?	✓		 (1) Disclose status of Financial information, Business operation and Corporate governance on the website (http://www.cotabank.com.tw) (2) Status of Financial information and business operation are disclosed on our website. President of the Bank is the spokesperson of the Bank. (3) As a public company, the Bank announces and reports its second quarter, annual financial report and operations for each month on the Public Information Observatory within the required time frame. 	No difference.
VI. Has the Bank provided other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing insurance for directors and supervisors, political donation and donation to stakeholders and public interested group)?	1		Employee rights: the Bank advocates the spirits of humanity. Ensure employee rights by complying with the labor standard law and establishing the Employees' Welfare Committee. Labor-Management conference is convened regularly. Employee wellness: Organize staff trips to ease the tension of life. Home visiting every year to understand the living condition of staff. Investors relations: Establish designated webpages for shareholders providing relevant information of stock matters. The Bank formulated the code of practice and voting policy for legal person shareholders with higher privileges to ensure shareholders' equity. Rights of stakeholders and consumer's protection and the policy of corporate governance: the Bank has always emphasized customer service quality.	No difference

			Status of Operation	Differences from
ltem	Υ	N	Summary	"The Corporate Governance guidelines for banking industry" and Reasons
			It provides customer complain channel and has implemented a number of customer protection policies. 5. Training and advanced studies of board members and supervisors: Taiwan Securities and Futures Institute and Taiwan Academy of Banking and Finance have arranged corporate governance courses for directors and supervisors. The 8th board directors have taken 6~12 hours courses since they took office. Conducting on-the-job training in accordance with the Regulations Governing Required Qualifications for Responsible Persons and Required Trust Expertise or Experience for Operations and Managerial Personnel of Trust Enterprises. 6. Implementation of risk management policies and risk evaluation measures: Establish Risk Management Center, "Assets, Liabilities and Risk Management Committee" evaluate regularly operating risk and report to the board of directors. We obey rules of government and BIS to make policies of risk management to ensure our safety of banking operations and performances. 7. Purchasing insurance for directors and supervisors: In order to round out the company's corporate governance mechanism and reduce risk exposed to directors and key staff members of the company, the Bank has taken out liability insurance for directors, supervisors and managers. 8. Political donation and donation to stakeholders and public interested group in 2020 are stated below: a. Eden Social Welfare Foundation: NTD50,000 b. Third Credit Educational Foundation (stakeholder): NTD950,000 c. CULROC: NTD100,000 d. Ganlin Social Welfare Foundation: NTD50,000 e. DaheFuDeTemple: NTD200,000 f. Consumers' Foundation, Chinese Taipei: NTD30,000 g. Political Donation: None.	
VII. Does the bank have a corporate governance self-assessment report, or a corporate governance assessment report commissioned by another professional body? (If so, please state the opinion of its Board of Directors, the results of its self-assessment or external assessment, the major deficiencies or recommendations and how the improvement was.		✓	None.	No difference

3-3-5. Composition, Duties, and Operation of the Remuneration Committee

3-3-5-1. Professional Qualifications and Independence Analysis of Member of Remuneration Committee

	Qualifications	Directors or Sup following professio least five		In		end (No			us		Number of			
Position (Note 1)	Name	At least a lecturer of business, law, finance or accounting departments or other departments that can be connected to bank needs of public or private colleges/universities.	A judge, prosecutor, attorney, CPA, or other professional or technical personnel who possesses national certification in an area needed by the bank.	Experience in business, law, finance, accounting or other work as needed by the bank.	1	2	3	4	5	6	7	8	compensation committees at other companies of which the individual is a member on a concurrent basis	Annotations (Note 3)
Independent Director	Tsung-Ta Kuo (re- appointed)	-	✓	√	~	√	√	√	√	✓	✓	√	N	
Independent Director	Kun-Hsien Lin (Newly appointed)		√	√	✓	√	√	✓	√	✓	√	√	N	
Director	Hong-Chi Chang (Newly appointed)			√	✓	√	√	✓	√	✓	√	√	N	
Director	Ying-Che Chang	-	-	✓	✓	✓	√	✓	✓	✓	✓	√	N	
Director	Chien-Chung Lai	-	-	✓	✓	✓	-	✓	✓	✓	✓	√	N	See
Director	Xian-De Lai	-	-	✓	✓	✓	-	✓	✓	✓	✓	√	N	remarks
Director	Chuan Cheng Hat Co., Ltd. Duty holder: Ching-Yuan Lai (Feb.12 th 2020 succeeded) Min-Chang Lin (Feb. 11 th , 2020 left)	-	-	√	-	✓	√	✓	-	✓	✓	✓	N	

Remarks:

COTA Bank is a public company, and is not subject to "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" and Article 14-6 of Securities and Exchange Act.

Note

- 1. Position: Please fill in Director, Independent Director or Others
- 2. Please mark "V" in the space below relevant criteria met by members during the two years prior to appointment and during their period of appointment. (1) Neither employees of Bank nor its affiliates.
 - (2) Not directors or supervisors of the bank or its affiliates (unless the bank and its parent, subsidiary or subsidiary of the same parent serve as independent directors of each other under the Securities and Exchange Act or local laws).
 - (3) Not a shareholder who holds shares, together with those held by the person spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the company or ranks among the top 10 shareholders who are natural persons in terms of the share volume held.
 - (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
 - (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
 - (6) Not if a majority of the bank's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (However, this is not the case if the bank and its parent company, subsidiaries or subsidiaries of the same parent company serve as independent directors of each other under the Securities and Exchange Act or local laws.)

- (7) Not if the chairperson, general manager, or person holding an equivalent position of the bank and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (However, this is not the case if the bank and its parent company, subsidiaries or subsidiaries of the same parent company serve as independent directors of each other under the Securities and Exchange Act or local laws.)
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (However, this does not apply to companies or institutions that hold more than 20 percent or less than 50 percent of the bank's total issued shares, and where the bank and its parent company, subsidiaries or subsidiaries of the same parent company serve as independent directors of each other under the Securities and Exchange Act or local laws.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not contain one of the requirements listed in the various subparagraphs of Article 30 of the Company Act.

3-3-5-2. Operation of Remuneration Committee:

- (1) The Bank's Remuneration Committee has 5 members.
- (2) Period of appointment of 8th committee members is from January 12, 2018 to December 22, 2020. 4 meetings were convened in the most recent year, and the records of attendance at the meetings are as below:

Title	Name	Attendance in Person (B)	Attendance By Proxy	Actual Attendance Rate (%) (B/A)	Annotation
Convener	Tsung-Ta Kuo	4	-	100	Re-appointed
Member	Kun-Hsien Lin	1		100	Newly appointed
Member	Hong-Chi Chang	1		100	Newly appointed
Member	Ying-Che Chang	3	-	100	Already appointed
Member	Chien-Chung Lai	3	-	50	Already appointed
Member	Xian-De Lai	3	-	100	Already appointed
Member	Chuan Cheng Hat Co., Ltd. Representative: Min-Chang Lin	3	-	100	Already appointed

Remarks:

- 1. Please state the board meeting's date, session, motion, resolution and result of execution if the advice of the remuneration committee was declined, revised or suggested to be amended by the board(please clearly state the discrepancy and its reason of the salary compensation approved by the board was better than that recommended by the remuneration Committee): None.
- 2. Please state the meeting's date, session, motion, resolution and result of execution if there was any committee member holds opposition or different opinions to the resolution made by the remuneration committee: None.

3-3-6. Status for fulfillment of social responsibility:

ltana			Operating conditions	Deviation from the guidelines for the social responsibilities	
Item	Υ	N	Summary	for TWSE/ GTSM Listed Companies" and reasons	
Does the bank conduct risk assessments of environmental, social and corporate governance issues related to the company's operations, and formulate relevant risk management policies or strategies based on materiality principles? (Note 4)			To establish a good corporate governance system and promote the sound development of the Company's business, a "Code of Corporate Governance Practices" has been established to establish an effective corporate governance structure; senior management is guided and supervised by the Board of Directors to establish procedures to identify, measure, monitor and control the Company's risks.	The Bank is not a listed company in TWSE or OTC	
2. Whether the bank has a dedicated (or part- time) CSR promotion unit, which is delegated to senior management by the Board of Directors and reported to the Board of Directors.		✓	No	The Bank is not a listed company in TWSE or OTC	
3. Environmental Issues (1) Has the bank developed an appropriate environmental management system, given its industry characteristics? (2) Is the bank committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment? (3) Does the bank assess the potential risks and opportunities of climate change for businesses now and in the future, and take measures to address climate related issues? (4) Has the bank compiled statistics on greenhouse gas emissions, water consumption, and total weight of waste over the past two years, and formulated policies on energy conservation, carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	✓ ✓ ✓ ✓ ✓		 Encourage employees to use double-side printing and recycle and reuse used printing papers. Encourage employees to use their own cups in meetings to reduce the use of paper cup. Turn off the power when leaving the offices, set the air-conditioner temperature at 27 degree, and do recycle. The Bank replaces high energy consumption lights with T5 or LED lights. Each unit is responsible for compiling various data and developing management policies. 	The Bank is not a listed company in TWSE or OTC	
4. Social Issues (1) Has the Bank stipulated policies and procedures in accordance with laws and the International Bill of Human Rights? (2) Does the bank establish and implement reasonable employee benefit measures (including compensation, leave and other benefits, etc.) and appropriately reflect operating performance or results in employee compensation?	✓	✓	 (1) The Bank's management policies and procedures are formulated in accordance with relevant laws and regulations. (2) The Bank has a remuneration policy and reflects operating performance or results appropriately in the remuneration and benefits of its employees. (3) The Bank provides a safe and healthy working environment for its employees and conducts 		

ltem			Deviation from the guidelines for the social responsibilities	
		N	Summary	for TWSE/ GTSM Listed Companies" and reasons
 (3) Does the bank provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues? (4) Does the bank have an effective career competency development training program for its employees? (5) Does the bank comply with relevant regulations and international standards on customer health and safety, customer privacy, marketing and labeling of products and services, and has it formulated relevant policies and complaint procedures to protect consumer rights and interests? (6) Does the bank have a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or human rights at work, and how is it implemented? 	✓	✓ ✓	regular safety and health education for its employees. (4) The bank carries out employee education and training every year to enhance the professional competence of its staff. (5) No (6) No	
5. Does the bank make reference to international standards or guidelines for the preparation of corporate social responsibility reports and other reports that disclose non-financial information about the bank? Did you obtain a third-party verification unit's confirmation or assurance opinion on the previous report?		√	There are no internationally accepted standards or guidelines for the preparation of corporate social responsibility reports.	

^{6.} If the Company has stipulated its own corporate social responsibility rules on the basis of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," please state any discrepancy between implementation and the stipulated rules": None (The Bank is not a listed company in TWSE or OTC)

^{7.} Other important information that helps to understand the implementation of best practices of corporate social responsibility: COTA Bank upholds a philosophy of "Take from society Give back to society" so that we think it's our obligation to fulfill social responsibility. COTA bank cares about and contributes to the society thru various ways such as donation and holding activities among communities. The bank set up Third Credit Educational Foundation to advocate lifelong learning. COTA bank will adhere to the principle of giving back to society by providing better community financial service and sponsoring and promoting community welfare.

3-3-7. Fulfillment of Operations of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons

ltem -			Operating conditions	Deviation from the guidelines for the social responsibilities
		N	Summary	for TWSE/ GTSM Listed Companies" and reasons
 Establishing Ethical Corporate Management Policies and Programs. Has the Bank established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and through implementation of such policies? Has the Bank established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? Has the Bank specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis? 	✓	✓	 (1) Instead, the Bank established honesty and integrity rules in "Procedure for Board of Directors Meetings", "Regulation on Donation" and "Employee Code of Conduct". (2) The Bank established honesty and integrity rules in "Procedure for Board of Directors Meetings", "Regulation on Donation", "Employee Code of Conduct", "Directions on Internal Control and Risk Management in Wealth Management Business" and "Regulations on Soliciting of Business thru Advertisements and Business Promotion Activities". (3) For prevention of unethical behavior, the bank has established "Regulations on Personnel Management", "Employee Code of Conduct", "Regulation on Donation" and "Directions on credit extension and other transactions with interested parties". 	The Bank is not a listed company in TWSE or GTSM.
2. Implementing Ethical Corporate (1) Has the Bank evaluated the records of unethical conduct of counterparties and specified the terms of ethical conduct in the agreement signed with the counterparties? (2) Has the Bank set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	✓	✓	 (1) The Bank avoids dealing with parties that have records of unethical conducts. When entering into contracts with other parties, the Bank shall include in such contract provision demanding ethical corporate management policy compliance. The Bank immediately stops business relation while acknowledging of unethical conducts of its counterparties. (2) The Bank established the compliance system, internal control systems, internal audit, risk management, and set functional committee 	The Bank is not a listed company in TWSE or GTSM.

ltem			Deviation from the guidelines for the social responsibilities	
		N	Summary	for TWSE/ GTSM Listed Companies" and reasons
 (3) Has the Bank established the policies to prevent conflicts of interest, provided proper channels of explanation, and implemented them? (4) Has the Bank established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?? (5) Has the Bank regularly held internal / external training on ethical corporate management? 	✓		by regulation to strengthen the function of decision-making and management of board of directors. (3) 1. The Bank established policies preventing conflict of interest: a. Clause of avoidance of conflict of interest is explicitly indicated in "Procedure for Board of Directors Meetings". b. Build a database of information of interested parties. The term of secured credit extensions to interested parties shall not be more favorable than those terms offered to other same category customers c. Establishing "Employee Code of Conduct" for prevention of unethical behavior of employee. d. Establishing "Directions on Internal Control and Risk Management in Wealth Management Business" regulating work ethics and disciplines of financial advisors. 2. All relevant rules and procedures are on the website www.cotabank.com.tw. (4) The Bank has established accounting system and accounting department. To ensure impartiality of financial statements, Bank's financial statements has audited by CPAs. The Bank established internal audit control system which is subjected to reexamination and readjustment and an auditing division under the board of directors. Internal audit control system is implementing by regular and random internal auditing and by external auditing by CPAs. (5) The Bank undertakes training with regard to ethnical management and behavioral guidelines on a regular basis. All employees are required to attend. Employees are acknowledged of amendments of relevant regulations.	
3. Implementing the Whistle-blowing System (1) Has the Bank established a concrete whistle-blowing and incentive system, established convenient whistle-blowing channels, and appointed dedicated personnel to deal with the reported personnel? (2) Has the Bank established the standard operating procedures for investigating reported misconduct, follow-up measures	✓ ✓		 The Bank has established the "Internal Regulations Governing the Handling of Reporting Cases" which are handled by a dedicated unit, and has also established Personnel Evaluation committee governing rewards and penalties system for employee. The Audit Division is responsible to submit the reported case, and the identity of the informer 	The Bank is not a listed company in TWSE or GTSM.

ltem Y			Deviation from the guidelines for the social responsibilities	
		N	Summary	for TWSE/ GTSM Listed Companies" and reasons
to be adopted after the investigation, and related confidentiality mechanisms? (3) Has the Bank taken measures to protect the whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	√		and the contents of the report will be kept in confidence. (3) The Bank shall not be subject to dismissal, termination, demotion, reduction in salary, impairment of rights and benefits, or other adverse action as a result of the report.	
4. Enhancing Disclosure of Information Has the Bank dis-closed the "Guidelines for Ethical Corporate Management" and its status of operations on the official website and Market Observation Post System?	✓		 (1) Information of financial, operating and corporate governance of the bank are accessible through website www.cotabank.com.tw (also available in English) (2) The Bank has designated persons to update and disclose company information. 	The Bank is not a listed company in TWSE or GTSM

^{5.} Difference between the "Guidelines for Ethical Corporate Management" and "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies": None

3-3-8. Corporate Governance Guidelines and Regulations

Please refer to the Bank's website on http://www.cotabank.com.tw.

3-3-9. Other Important Information Enhancing Understanding of the State of the Company's

Corporate Governance: None.

^{6.} Other important information to facilitate better understanding of the Bank's implementation of ethical corporate management (e.g. Amendment to the "Guidelines for Ethical Corporate Management"): In building an ethical management corporate culture, the Bank has set honesty and integrity rules in "Procedure for Board of Directors Meetings", "Regulation on Donation" and "Employee Code of Conduct". All directors and employees promote business with integrity and strong work ethic and to furthermore fulfill social responsibility. The Bank set the compliance system, internal control systems, internal audit, risk management, strengthening competency of the board and supervisors, functioning audit committee, respecting the right of interested parties, improving information transparency, continuing implementing policies that deepens the culture of ethical management in order to achieve sustainable development.

3-3-10. Execution of Internal Control System

(1) Statement of Internal Control

COTA Commercial Bank Statement of Internal Control

Date: March 24 2021

To Financial Supervisory Commission

On behalf of COTA Commercial Bank, we hereby undertake that from Jan.01 2020 to Dec.31 2020 the Bank has duly complied with "Guidelines for the establishment of internal control and internal audit systems" by establishing an internal control system, implementing risk management, designating an independent and objective internal department to conduct audit, and submitting the audit report periodically to the Board of Directors and Supervisors (Audit Committee). Following prudent evaluation, it is found that except for items listed in the attached chart, the internal control systems of and compliance with laws and regulations by the different department were all implemented effectively.

Insurance agent business

- 1. The Company determines the effectiveness of the design and implementation of internal control system in accordance with "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (the Regulations). The criteria for an effectiveness of internal control system, according to the Regulations, shall contain at least the following components: (1) Control environment; (2) Risk assessment; (3) Control activities; (4) Information and communication; and (5) Monitoring activities.
- 2. The Company has adopted aforesaid criteria to examine the effectiveness of the design and implementation of internal control system.
- 3. Based on the results of the examination above, the Company deems the design and implementation of the internal control system (including the awareness of soundness of business operations, reliability of reporting, and compliance with all related laws and regulations), within the aforesaid period, were effective and able to reasonably ensure accomplishment of the goals above.
- 4. This declaration will be the main content of the Company's annual report and public prospectuses, and shall be disclosed to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171, and 174 of the "Securities and Exchange Act" or other regulations related to the act.
- 5. This statement has been passed by the board of directors of the Company on Mar.24 2021.

Attested by

Chairman : Song-Yie Liao

President : Chih-Sheng Hsiao

Chief Auditor : Jian-Chen Xu

Chief Compliance Officer: Kuang-Hsiung Huang

Items for Improvement and Plan Table of Internal control

As of Dec. 31, 2020

		As of Dec. 31, 2020
Items for Improvement	Improvement Measure	Target Date
 Anti-money laundering operations The procedure for the confirmation of suspicious transactions has not been regulated for confirmed items such as internal and external information. Suspicious transactions screened by the business unit against the information system without verifying the source and use of customer funds and their reasonableness. Implement due diligence on high-risk customers and update information, and strengthen the verification of suspected sources of transaction funds to enable the money laundering operation. 	 Article 5, Section 4 of the "Policies and Procedures for the Continuous Monitoring of Accounts and Transactions" has been amended to specify the items. The "Policy and Procedures for Continuous Monitoring of Accounts and Transactions" has been revised to regulate the steps and methods of suspicious transaction determination and notes, and to provide reference examples for each unit to write. The management Dept. has revised relevant regulations and strengthened staff education and training, and continues to supervise branches in the implementation. 	(1).(2) The audit items were included in the year 2020 and have been Improvement. However, the anti-money laundering business is the focus of the FSC, so it continues to be included as an enhancement item. (3) Listed in main auditing items in 2021.
 The following should be strengthened in the handling of investments and financial products: Outsourcing of customer investment risk attribute assessment, the results of the assessment are not confirmed by the customer, directly accepting the order to purchase financial products, in violation of Article 9 of the Financial Consumer Protection Act, paragraph 2 authorized and adopted the "financial services industry to ensure that financial products or services for financial consumers approach" under Article 4 and article 22(1)(2) of the "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract" as stipulated in Article 18(1) of the Trust Enterprise Act. Failure to establish a control mechanism for improperly inducing customers to borrow money to purchase financial products is not conducive to consumer rights protection. Establish a control and verification mechanism for customers to purchase financial products with time deposits to protect consumers' rights and interests. 	sampling method is revised to require confirmation every time, and the telephone recording content must include the customer's investment risk attribute before the transaction can be conducted. ii. Listed as a self-inspection work project.	(1).(2) The audit items were included in the year 2019 and 2020, and have been Improvement. However, the "FSC Daily E-Newsletter", customer complaints and penalties continue to be imposed, so it continues to be included in the enhanced item. (3) Listed in main auditing items in 2021.

Items for Improvement	Improvement Measure	Target Date
3. The business department has on behalf of the customer to take care of the blank seals of the certified seals. Ministry of Finance 85.12.4 Taiwan Finance No. 85354873 letter, violation of the "Forbidden Financial Institutional Staff to Handle Cash Deposits or Deposit Certificates".	3. The Business Department and the Compliance and Legal Affairs Department have separately strengthened employee education and training. It is forbidden for staff to handle deposits or to keep seals. The auditing department also made a speech in the management meeting for the heads of all units and the relevant personnel of the head office.	The audit items were included in the year 2018 and have been Improvement. However, the FSC still has a number of penalties for this incident in "Daily E-Newsletter", so it continues to be included in the enhancement item.
4. Insurance agency business should strengthen: (1) The audit of the sources of premium funding as stated in the report of the sales did not establish a control mechanism to confirm in advance whether it is a credit account or not. (2) In addition, for some insurance customers who purchased insurance products by borrowing money and did not fill in the correct source of funds in the salesman's report, it is not conducive to understanding whether the salesman has persuaded customers, and it is not conducive to the insurance company's assessment of underwriting risks.	4. (1) The Department of Insurance Agents has been conducting the loan customer system check and match starting from Nov.26 2019. (2) For the system verification of suspected loan insured customers, premium funding sources should be checked by staffs and supervisors, and the insurance agent department should check and control the correctness of filling in the funding sources.	The audit items were included in the year 2020 and have been Improvement. However, the Insurance agency business is the focus of the FSC, so it continues to be included as an enhancement item.

(2) CPA Audit Report

Pursuant to ordinance article 28 of the "Guidelines for the Establishment of Internal Control and Internal Audit Systems", the Bank arranged KPMG certified public accountants to audit performance of internal control during the period of Jan. 01 2020 through Dec. 31 2020.

The audit report of the Certified Public Accountant concluded as follows:

With the exception of suggested items to improve, no major deficit is found (attaching homepage of auditor's report and suggestion statement).



Auditing report of certified public accountant

March 24, 2021

To COTA Commercial Bank

According to Article 28 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" announced by the FSC: If the annual financial report of a banking business is audited and certified by CPA the business should also delegate the CPA to conduct an audit on its internal control system. The CPA should also comment on the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system and regulatory compliance system, and the appropriateness of policies for loan loss reserves.

The Company has been entrusted with the above matters for the period from Jan.1 2020 to Dec.31, 2020, and has reviewed the scope, procedures and results of the audit.

This report is intended solely for filing to Financial Supervisory Commission for supervisory purpose, the Bank's reference only and should not be used for any other purpose.

Notice to

KPMG

Accountant

Chun-Yuan, Wu

Notice to Readers

If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the original Chinese version shall prevail.

Suggestion Statement

Year 2020

						Progress	
Operation Cycles	Items	Audit	Effect	Suggestion	Person in charge	Estimated complete date	Tracking Status
Credit Operation	1.	The loan case was not documented in "Credit Case Application Register Book".	Failure to verify the point one of the second item of COTA Commercial Bank's Credit Practice Guidelines will result in flaws in tracking and management of credit cases.	It is suggested that the loan case should be precisely written in "Credit Case Application Register Book".	Tuan-Jung Hsu	Oct.29 2020	The Audit Office conducted a site review on Feb. 27 2021, confirming improvements. (Taoyuan Branch
Credit Operation	2.	The loan case did not fill in "The Same Concerned Party form".	Failure to fill in "The Same Concerned Party form" may go beyond the credit limit.	It is suggested that "The Same Concerned Party Form" should be filled in.	Tuan-Jung Hsu	Oct.29 2020	confirmed by documentary examination)
Credit Operation	3.	The reasons for applying the preferential interest rate in the loan case were not in accordance with the provisions of Article 7 of No.10605031 dated 106.10.26, Issued by COTA commercial bank.	It may be different from the Banking Bureau's vision of maintaining healthy competition among banks.	It is suggested that the reason for the preferential interest rate in accordance with the letter should be filled.	Li-Yun Tsai	Feb.17 2021	
Deposit operation	4.	There was an omission in the "Account Opening Operation Checklist" for the new account opening of check deposit.	Failure to complete the "Account Opening Checklist" may result in inaccurate verification of the applicant's identity.	It is suggested that when fill out the "Account Opening Checklist" should make sure that all fields are checked before opening an account.	Wei-Ting Chen	Oct. 29 2020	The Audit Office conducted a site review on Feb. 27 2021, confirming
Deposit operation	5.	The "Check pick up slip" was not verified by the supervisor. In addition, the total withdrawal of the check pick up slip was less than 70% and the reason for renewal of the blank check was not indicated in the blank space and was not verified by the supervisor.	Unconfirmed check pick up.	It is suggested that the "Check pick up slip" should be verified by the supervisor. In addition, if the total withdrawal of the check pick up slip is less than 70%, the supervisor should indicate the reason for renewal of the blank check and verify before issuing it.	Yuh-Mei Wu	Oct.30 2020	improvements. (Taoyuan Branch confirmed by documentary examination)
Deposit operation	6.	The interest calculation details of demand savings deposits for which interest is manually calculated by	Failure to implement accounting for interest results in errors in computer system	It is recommended that the accounting of interest should be verified for errors in the validation	Jinhua Branch Wen-Yan Chen	Oct.29 2020	
		the personnel in charge do not match the total.	calculations that cannot be corrected in a timely manner through manual accounting.	process and whether the details and totals are consistent.	Fengyuan Branch Shu-Ling Chen	Oct.30 2020	

No.	Audit / Ref.	Potential Risk	Management Suggestion	Management Response
1.	System host authority account audit issue After reviewing the "System Parameter Review Report", it is noted that the company has conducted a comprehensive monthly inventory of system account authority. However, the report does not contain a detailed list of all accounts and their authority status.	If the account status and function information are not listed in detail, it will be impossible to confirm that the account and authority have been examined by the authorized personnel, resulting in the risk that the account authority does not match the duties.	It is recommended that the information corresponding to all system accounts (including the owner, authority status, etc.) be clearly listed to assist in the accurate verification of accounts by authorized personnel.	Person in charge: Wei-Sheng Yang/ Wen-Qin ji Estimated complete date: Feb.25 2021 Expected execution method: It is intended that the management team and the system team will establish the "Information Room Mainframe System Account Record Book" as a basis for checking by authorized and responsible personnel.
2.	Program revision and online process control issues After consulting with Vice Manager Yang of the ITO Management Team And inspect "Application System Development and Maintenance Management Procedures", most of the current program changes were tested and accepted by it, only new system development or major program change projects will require users to test and accept. The workflow also does not specify the evaluation methods and procedures for major program changes.	The revision of the system program that is not test and accept by users may increase the risk of system modification not matching user requirement.	It is suggested that the revision of the system program should be designed to be tested and accepted by the user to confirm that the changes meet the needs of the user and retain the audit tracker.	Person in charge: Wei-Sheng Yang Estimated complete date: Mar.31 2021 Expected execution method: 1. Application program maintenance and update procedures have been revised, and the specified program changes should be accepted by the requesting/using unit. 2. The acceptance process will be gradually introduced into the program the system will be used for the acceptance process.

3-3-11. Cases or Penalties due to Infliction of Laws and Regulations over the Past 2 Years and up to Feb.28:

- 1. Any indictment of a responsible person or employee by a prosecutor for an offense related to the occupation: None.
- 2. Any fine imposed by the FSC for violation of a law or regulation: None
- 3. Any matters in which sanctions were imposed by the FSC pursuant to Article 61-1 of the Banking Act: Correction 2 times:
 - i. The FSC's letter No. 10802194931 dated Dec.3, 2019: The Bank's mainframe system security maintenance, monitoring and emergency response project inspection report listed in the report affects the integrity of operations.
 - ii. On Feb.17, 2021, the Financial Supervisory Commission (FSC) issued letter No. 10902355131: The Bank's Taoyuan Branch lost 38 summonses, which affected its integrity of operation and lost customers' rights and interests.
- 4. Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully abide by the Directions for Maintenance of Security at Financial Institutions. If actual losses, whether singly or in aggregate, exceed TWD50 million in any given year, disclose the nature and amount of the loss: None.
- 5. Other matters that must be disclosed pursuant to FSC designation: None.

3-3-12. Major Resolutions of Shareholders Meeting or Board of Directors Meeting in Recent Year

3-3-12-1. Shareholders Meeting

Year	Nature of Shareholders Meeting	Convoking Date	Major Resolutions
2020	Regular Shareholders' Meeting	June 20, 2020	The earnings distribution of year 2019 and capital increase by earnings and issuance of new shares.
2020	First Extraordinary general meeting	December 18, 2020	Election of directors (including independent directors).

3-3-12-2. Board of Directors Meeting

3-3-12-2-1. Major Resolutions

- ◆ Held the Eighth 9th Board of directors on Mar.25 2020.
 - (1) Approval of the 2019 Individual Financial Report.
 - (2) Approval of the 2019 Directors' Compensation and Employee Compensation Distribution.
 - (3) Approval of the 2019 Annual Surplus Appropriation.
 - (4) Approval of the 2019 Capital increase out of earnings.
 - (5) Approval of the 2019 Business Report.
 - (6) Amendments to the "Articles of Incorporation" were passed.
 - (7) Approved the New shares for cash capital increase.
- ◆ Held the Eighth 10th Board of directors on Jun.24 2020.
 - (1) In accordance with the restructuring of the accounting firm's business, the Bank changed its Financial statements with independent Auditors' report effective from the second quarter of 2020.
 - (2) Approved the renewal of the lease agreement with the Third Credit Cooperative Educational Foundation for the front office area on the 2nd floor of the Bank's Chenggong Building.
- ◆ Held the Eighth 11th Board of directors on Aug.26 2020.
 - (1) Approved the Financial statements with independent Auditors' report for the period from Jan.1 to Jun.30, 2020.
- ◆ Held the Eighth 12th Board of directors on Nov.2 2020.
 - (1) Approved a donation to the Third Credit Cooperative Educational Foundation for 2021 years.
 - (2) Approved the appointment and removal of President and Chief Auditor.

3-3-12-2-2. The Directors or Supervisors have different opinions to the board of directors meeting through the major resolution, and has the record or announce by statement: None.

3-3-12-2-3. Corporate Governance Guidelines and Regulations

Please refer to the Bank's website on

http://www.cotabank.com.tw/cotabank/announce/expose/expose.htm

3-3-13. Disclosures of the Resignation or Dismissal of Managerial Officers in Charge of Financial or Accounting Reports:

Position	Name	Arrival Date	Termination Date	Reasons for resignation or dismissal
President	Jung-Hsien Chiu	May 01, 2017	Jan 05, 2021	Retirement
Chief Auditor	Chih-Sheng Hsiao	Jan 01, 2014	Jan 05, 2021	Interim President

3-4. Information on the Certified Public Accountant

3-4-1. Information on the Professional Fees of the Certified Public Accountant

3-4-1-1. Disclosure of the Accountant's Fee

Accountant Firm	Name of A	ccountant	Period of Audit	Remarks
KPMG	Wu, Chun-Yuan	Hsieh, Chiu-Hua	Year 2020	

Unit: TWD thousand

Tier	ltem	Auditing Fee	Non-Auditing Fee	Total
1	Below 2,000 thousand	✓		
2	2,000 thousand ~4,000 thousand		✓	
3	4,000 thousand ~ 6,000 thousand			✓
4	6,000 thousand ~ 8,000 thousand			
5	8,000 thousand ~ 10,000 thousand			
6	10,000 thousand and above			

3-4-1-2. Fees paid for non-auditing services account for a proportion equal to one-quarter or above of auditing:

Unit: TWD thousand

Accountant					Non		Period of			
Firm	Name of A	Accountant	Auditing Fee	System	Corporate Registers	Human Resources	Others (note)	Sub- Total	Audit by Accountant	Remarks
KPMG	Wu, Chun- Yuan	Hsieh, Chiu- Hua	1,860		40		2,309	2,349	2020	

Note: non-auditing fee "others" including in personal data protection and anti-money laundering and combating the financing of terrorism controlling project, review of capital increased by surplus turned capital, CRS compliance service

- 3-4-1-3. Whether the Bank changes its accounting firm and the amount of fees paid for auditing services during the year in which the change is made are lower than for the previous year: None
- 3-4-1-4. Whether the amount of fees paid for auditing services is lower than for the previous year by 10% or above: None.

3-4-2. Information of Accountants Change:

3-4-2-1. Former Accountants

Date of change	June 24, 2020					
Reasons for changes made and relevant explanations	Internal adjustment for administration by KPMG					
Service contract terminated by appointer	Event person concerned	Accountant	Appointer			
or accountant / not accepting continued	Termination of Appointment	✓				
appointment	Not Accepting (continued) Appointment					
Unqualified opinions in auditing reports certified within the recent 2 years and their reasons	None					

Date of change	June 24, 2020				
		Accounting principles or practices			
	Voo	Disclosure of financial statements			
Any diagraph with the Deut's enining	Yes	Auditing scope or steps			
Any disagreement with the Bank's opinions		Others			
	None	√			
	remark: None				
Other things disclosed (Disclosure required by articles 10.6 1. 4 of this guideline)	None				

3-4-2-2. Succeeding Accountants:

Accounting firm	KPMG
Name of accountant	Wu, Chun-Yuan, Hsieh, Chiu-Hua
Date of appoint	June 27, 2018
Consultations on accounting measure or principles concerning specific transactions or on likely opinions in financial statements	None
Written opinions by succeeding accountant over disagreements with former accountant	None

3-4-3. Whether the Bank's chairman, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None

3-5. Change in Shareholdings and Pledged

3-5-1. Changes in Shareholdings of Directors, Supervisors, Executive Officers, and Shareholders conform to the Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11

		20	20	Up To Febru		
Title	Name	Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	Remark
Chairman	Song-Yie Liao	28,713,747	0	0	0	Major Shareholder
Managing Director	Chuan Cheng Hat Co., Ltd. Representative:Chin-Yuan Lai	1,953,077 27	0 0	0	0	Major Shareholder
Managing Independent Director	Hong-Chi Chang	0	0	0	0	
Managing Independent Director	Kun-Hsien Lin	1,162,061	0	0	0	

		20	20	Up To Febru	ary 28, 2021	
Title	Name	Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	Remark
Managing Director	Jung-Hsien Chiu	257,571	0	0	0	
Director	Chun-Chieh Wang	1,119,334	0	0	0	Major Shareholder
Director	Xien-De Lai	422,880	0	0	0	
Director	Chien-Chung Lai	(1,065,157)	0	0	0	
Director	Ying-Che Chang	127,102	0	0	0	
Director	Ting-Lieh Huang	175,581	0	0	0	
Director	Chao-Ching Hsu	0	0	0	0	
Director	Pei-Chen Wang	0	0	0	0	
Director	Juo-Ping Lin	0	0	0	0	
Director	Chuan Chi Co., Ltd. Representative: Yuan-Chung Huang	2,204,485 379	0	0	0	Major Shareholder
Independent Director	Tsung-Ta Kuo	0	0	0	00	
President	Jung-Hsien Chiu	257,571	0	0	0	
Chief Auditor	Chih-Sheng Hsiao	124,335	0	0	0	
Senior Executive Vice President	Yun-Ching Wang	36,860	0	0	0	
Senior Executive Vice President	Huan-Mou Cheng	26,011	0	0	0	
Senior Executive Vice President	Kuang-Hsiung Huang	28,606	0	0	0	
Executive Vice President Department General Manager	Shi-Jian Zhang	64,393	0	0	0	
Executive Vice President	Wei-Bin Lin	36,214	0	0	0	
Executive Vice President	Hung-Tsang Chiang	41,146	0	0	0	
Executive Vice President Department General Manager	Wen-Jung Chen	40,308	0	0	0	
Executive Vice President Department General Manager	Shi-Tung Chang	35,492	0	0	0	
Executive Vice President	Jian-Chen Xu	46,978	0	0	0	
Executive Vice President	Chang-Chieh Lin	40,263	0	0	0	
Department General Manager	Shih-Chao Li	70,767	0	0	0	
Department General Manager	Wen-Sheng Lai	17,991	0	0	0	
Department General Manager	Ming-Heng Zhan	36,221	0	0	0	
Department General Manager	Quan-Hong Yang	27,361	0	0	0	
Department General Manager	Jun-Sheng Lin	18,911	0	0	0	
Department General Manager	Chi-Nan Huang	17,887	0	0	0	
Department General Manager	Jun-Long Tsai	27,774	0	0	0	

		20	20	Up To Febru	ary 28, 2021	
Title	Name	Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	Remark
Department General Manager	Ming-Yung Yu	31,991	0	0	0	
Department General Manager	Yun-Xie Chen	11,643	0	0	0	
Department General Manager	Chen-Chuan Kuo	16,409	0	0	0	
Branch General Manager	Jui-Sen Liao	23,579	0	0	0	
Branch General Manager	Chih-Huang Huang	53,047	0	0	0	
Branch General Manager	Zheng -Xian Xie	66,447	0	0	0	
Branch General Manager	Mei-Ling Shih	32,518	0	0	0	
Branch General Manager	Ling-Chen Ting	60,202	0	0	0	
Branch General Manager	Mao-Sheng Huang	41,497	0	0	0	
Branch General Manager	Chi-Shen Huang	73,605	0	0	0	
Branch General Manager	Hung-Chi Tung	44,946	0	0	0	
Branch General Manager	Chang-Cheng Chen	20,804	0	0	0	
Branch General Manager	Chia-Wen Ke	39,790	0	0	0	
Branch General Manager	Tzu-Hsiu Liang	17,684	0	0	0	
Branch General Manager	Hsi-Hsien Wang	35,149	0	0	0	
Branch General Manager	Cheng-Hao Wu	23,144	0	0	0	
Branch General Manager	Shu-Chen Shih	46,305	0	0	0	
Branch General Manager	Shih-Tsung Liu	29,436	0	0	0	
Branch General Manager	Hong-Yi Chen	11,180	0	0	0	
Branch General Manager	Kuo-Mao Wu	11,883	0	0	0	
Branch General Manager	Pi-Lan Hsu	15,200	0	0	0	
Branch General Manager	Cheng-Chieh Ho	39,130	0	0	0	
Branch General Manager	Ping-Hung Chuang	20,574	0	0	0	
Branch General Manager	Hsien-Hsun Chiang	40,881	0	0	0	
Branch General Manager	Jeremy Huang	15,404	0	0	0	
Branch General Manager	Tien-Long Yang	31,076	0	0	0	
Branch General Manager	Po-Hsun Chang	13,649	0	0	0	
Branch General Manager	Chung-Yi Hsu	41,447	0	0	0	
Branch General Manager	Yung-Hung Tsao	25,931	0	0	0	
Branch General Manager	Mei-Chuan Lee	15,871	0	0	0	Note 3

Note 1: Holding over 10% of the total shares of the corporation shall be remarked as major shareholder and shall respectively enumerate such fact.

Information of Shareholding Transfer: None

Shares Pledged Information: None

Note 2: In the event that the opposite party of share transfer or share pledge is a related party, please additionally fill up the following table.

Note 3: Personal adjustment on Jan. 06, 2021

3-5-2. Related Party Transaction of First Ten Largest Shareholders

As of Dec. 31, 2020

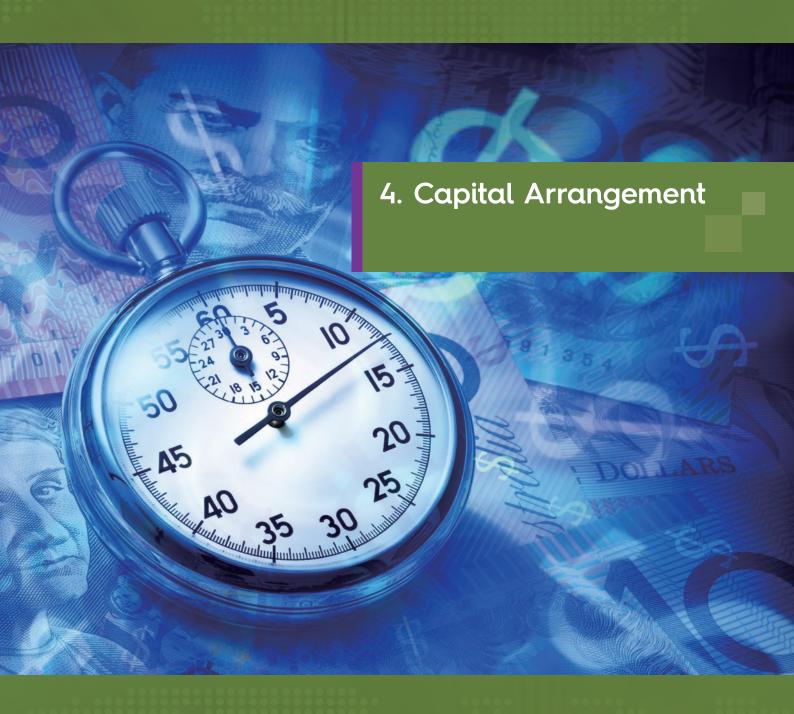
Name	Shares O	wned	Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Top ten sharehold related party disclos NO.6 shall disclose no	Remark	
	No. of Shares	Shares Held %	No. of Shares	Shares Held %	No. of Shares	Shares Held %	Name	Relationship	
Ho Chu Investment Co., Ltd. Representative: Chia-Hung Lin	89,493,843	9.67%							
Song-Yie Liao	88,717,250	9.59%	2,414,044	0.26%			Chuan Cheng Hat Co., Ltd Chuan Chi Co., Ltd. (Ching-Ling Liu)	Director Major shareholder Spouse	
Chuan Chi Co., Ltd. Representative: Ching-Ling Liu	31,582,139	3.41%					Song-Yie Liao	Major shareholder Spouse	
Kuo-Chao Hsiao	20,821,622	2.25%							
Yuhui Co., Ltd Representative: Gui-Xian Wang	19.288,950	2.09%							
Chuan Cheng Hat Co., Ltd. Representative: Ching-Ling Liu	17,324,563	1.87%					Song-Yie Liao	Director Spouse	
Hooann Co., Ltd. Representative: Jen-Chieh Yang	16,657,442	1.8%							
Chun-Chieh Wang	12,960,287	1.40%							
Yuan Ta Chung Machinery Co., Ltd. Representative: Chi-Jung Huang	12,848,213	1.39%							
Nenghong Investment Holding Co., Ltd. Representative: You-De Wu	12,142,790	1.31%							

3-5-3. Consolidated Shareholdings:

Unit: share; %

Investees	Direct Investment		Indirect In	vestment	Total		
(Note)	No. of Shares	Shares Held	No. of Shares	Shares Held	No. of Shares	Shares Held	
Taiwan Financial Asset Service Corp.	5,000,000	2.94%	0	0	5,000,000	2.94%	
Taiwan Asset Management Corp.	6,000,000	0.57%	0	0	6,000,000	0.57%	
Sunny Asset Management Corp.	25,302	0.42%	0	0	25,302	0.42%	
Taiwan Depository & Clearing Corp.	322,862	0.08%	0	0	322,862	0.08%	

Note: The Bank's investment pursuant to article 74 of the Banking Act.



4. Capital Arrangement

4-1. Capital Shares and Dividends

4-1-1. Source of Capital

As of Feb. 28, 2021; Shares Held (%)

Month/Year	Issuing price	Registered Capital		Paid-ir	n Capital	Remark	
Month rear	(TWD)	Shares	Amount	Shares	Amount	Source	Other
Aug 2020	10	1,200,000,000	12,000,000,000	875,103,803	8,751,038,030	Capital increase from retained earnings of TWD344,661,440	
Oct 2020	10	1,200,000,000	12,000,000,000	925,103,803	9,251,038,030	Cash capital increase TWD1,000,000,000	

As of Dec. 31, 2020

Type of chare		Registered capital				
Type of share	Outstanding shares	Unissued shares	Total	Remark		
Common shares	925,103,803	274,896,197	1,200,000,000	Bank is not a listed company		

Information for comprehensive reporting: None

4-1-2. Shareholder Structure

As of Dec. 31, 2020

Category	Government Agency	Financial Institution	Other Institution	Individual	Foreign Institution and Foreigner	Total
Number of Shareholders	1	1	412	63,894	52	64,360
Number of Shares	1,576	15,809	262,661,578	660,608,624	1,816,216	925,103,803
Percentage	-	-	28.39%	71.41%	0.20%	100%

4-1-3. Distribution of Shareholders' Equity

4-1-3-1. Common Stock: par value of TWD10

As of Dec. 31, 2020

Tier	Number of Shareholders	Number of Shares	Percentage (%)
1 - 999	45,100	11,728,047	1.27%
1,000 - 5,000	10,976	22,137,346	2.39%
5,001 - 10,000	1,787	12,873,330	1.39%
10,001 - 15,000	627	7,626,279	0.82%
15,001 - 20,000	2,056	34,486,928	3.73%
20,001 - 30,000	1,419	33,680,034	3.64%
30,001 - 40,000	432	14,625,928	1.58%
40,001 - 50,000	266	12,007,880	1.30%
50,001 - 100,000	705	51,290,582	5.54%
100,001 - 200,000	531	73,788,251	7.98%

Tier	Number of Shareholders	Number of Shares	Percentage (%)
200,001 - 400,000	259	72,388,728	7.82%
400,001 - 600,000	80	39,471,172	4.27%
600,001 - 800,000	28	19,281,108	2.08%
800,001 – 1,000,000	18	16,103,708	1.74%
1,000,001 and above	76	503,614,482	54.45%
Total	64,360	925,103,803	100.00%

4-1-3-2. Preferred Stock: None

4-1-4. List of Major Shareholders

As of Dec. 31, 2020

Name	Number of Shares	Percentage (%)
Ho Chu Investment Co., Ltd.	89,493,843	9.67%
Song-Yie Liao	88,717,250	9.59%
Chuan Chi Co., Ltd.	31,582,189	3.41%
Kuo-Chao Hsiao	20,821,622	2.25%
Yuhui Co., Ltd	19,288,950	2.09%
Chuan Cheng Hat Co., Ltd.	17,324,563	1.87%
Hooann Co., Ltd.	16,657,442	1.81%
Chun-Chieh Wang	12,960,287	1.4%
Yuan Ta Chung Machinery Co., Ltd.	12,848,213	1.39%
Nenghong Investment Holding Co., Ltd.	12,142,790	1.31%
Jun Heng Investment Co., Ltd.	12,108,993	1.31%

Note: Disclose the ratio of holding shares above 1%.



4. Capital Arrangement

4-1-5. Market Value, Net Worth, Earnings, and Dividend per Share in Recent 2 Years

Unit: TWD

Item		Year	2019	2020	Up To Feb. 28, 2021
	Highest		N/A	N/A	N/A
Market Value	Lowest		N/A	N/A	N/A
valuo	Average		N/A	N/A	N/A
Not Worth	Before Distribution		13.63	13.55	13.66
Net Worth	After Distribution		12.86	(Note 4)	(Note 2)
	Weighted Average Shares		875,103,803	885,622,928	925,103,803
Earnings	Earnings per Share	Before Adjust	0.89	0.78	0.12
		After Adjust	0.86	(Note 4)	(Note 2)
	Cash Dividends		0.25	0.25	N/A
Dividend	Ota ala Divida a da	Retained Earning	0.40	0.41	N/A
(Note 1)	Stock Dividends	Capital Reverse	0	0	N/A
Dividends in Arrear		0	0	N/A	
ROI	P/E Ratio		N/A	N/A	N/A
Analysis	P/D Ratio		N/A	N/A	N/A
(Note 3)	Cash Dividend Yield		N/A	N/A	N/A

Note 1: Dividends of serial year present earnings assignment of previous year.

Note 2: Year 2021 hasn't ended.

Note 3: Not applied as the Bank is not a listed company.

Note 4: Year 2020 distribution is to be determined in accordance with the resolutions of shareholder meeting.



4-1-6. Dividend Policy and Executive Status

In accordance with guidelines of the Bank's articles of incorporate, our dividend policy is carried out by the access of "assignable earning distribution. After appropriate legal reserves and provide a special earnings reserve, we distribute the full earnings to the shareholders.

According to article 34 of the Bank's articles of incorporate, earnings of fiscal year should pay taxes and offset prior year's losses and appropriate 30% as legal reverse in turns. but the accumulated legal reserve equals or exceeds a Bank's paid-in capital or the Bank is sound in both its finance and business operations and have set aside legal reserve in compliance with the Company Law, the restrictions stipulated in the preceding paragraph shall not apply.; If there is still surplus, the company shall either provide a legal reserve and a special earnings reserve from the surplus, or reverse existing special earnings reserves into the opening balance of undistributed earnings, and the distribution of profits was proposed by Board of Directors and decided to distribute dividends to shareholders in the shareholders' meeting.

Before the legal reserve is accumulated up to the total capital, the highest cash dividends are limited to not over 15%.

Dividend distributions include cash dividends but not less than 10%, and the rest of dividends are stock dividends. If cash dividends less than TWD0.1, they will not be distributed, except approval by the shareholder's meeting.

Resolution: Our bank has adopted a Proposal for Distribution of 2020: cash dividends TWD231,275,950 stock dividends TWD249,778,020. The distribution has not been approved by the Shareholders' Meeting.

4-1-7. The Effects of Stock Dividends Proposed by Shareholders' Meeting on the Operating Performance and Earnings Per Share

UNIT: Thousands of TWD

Year/Item				
Beginning Paid-in capital (TWD)				
0	Cash dividends per share		0.25 (Note 2)	
Stock and Cash Dividends for Current	Stock dividends per share for capital incre	ement from retained earnings (Shares)	0.27 (Note 2)	
Odifone	Stock dividends per share for capital incre	ement from capital surplus (Shares)	-	
	Operating profit			
	Change in operating profit compared with	previous year		
	After-tax profit	N/A (Note 1)		
Changes in Performance	Change in after-tax profit compared with			
	Earnings per share (TWD)			
	Change in earnings per share compared			
	Average return on investment (Average a			
	If retained earnings for capital increment	Earnings per share (TWD)		
Conjectural Earnings per Share and Price/Earnings Ratio	all converted to cash dividends	Average annual return on increment		
	If no increment using capital surplus	Earnings per share (TWD)		
	In no increment using capital surplus	Average annual return on increment		
	If no increment using capital surplus but	Earnings per share (TWD)		
	switch to cash dividends	Average annual return on increment		

Note 1: According to the amendment by the Securities and futures commission, Ministry of Finance on Feb. 1, 2000 under Doc. No.00371, a public company that publishes a financial forecast in accordance with these Regulations may publicly disclose it on the company website.

Note 2: The earning distribution for year 2020 has not been approved by the Shareholders' Meeting.

4. Capital Arrangement

4-1-8. Employees' Bound and Directors' Remuneration:

4-1-8-1. Information Relating to Employees' Bonus and Directors' Remuneration in the Articles of Incorporation

According to the amendment of article 34 of the Bank's Articles of Incorporation:

An amount of 6% of the profit shall be distributed as compensation to the employees and an amount not more than 2% (Maximum 2%) of the profit shall be distributed as compensation to the directors.

4-1-8-2. The difference, if any, between the amount estimated in the current-year and the amount approved by stockholders in the subsequent year shall be accounted for as a change in accounting estimate, and charged to profit or loss in the current year.

4-1-8-3. Status of compensation distribution as approved by the Board of Directors

- The Bank has proposed a total of TWD55,739 thousand of employees' remuneration and TWD18,580 thousand of directors' remuneration to be distributed for 2019.
- The amount of any employee compensation distributed in stocks as a percentage of the sum of the current after-tax net income and total employee compensation: The Bank has not distributed any employee compensation in stocks.

4-1-8-4. Earnings Distribution to Employees' Bonus and Directors' Remuneration for 2019

- Employees' Bouns:TWD57,980 thousand
- Directors' Remuneration:TWD19,327 thousand
- The above-mentioned actual distribution of employees' bonus and directors' remuneration was in line with the recommended resolution of the Board of Directors.

4-1-9. Repurchase of Treasury Stock

There was no repurchase of treasury stock.



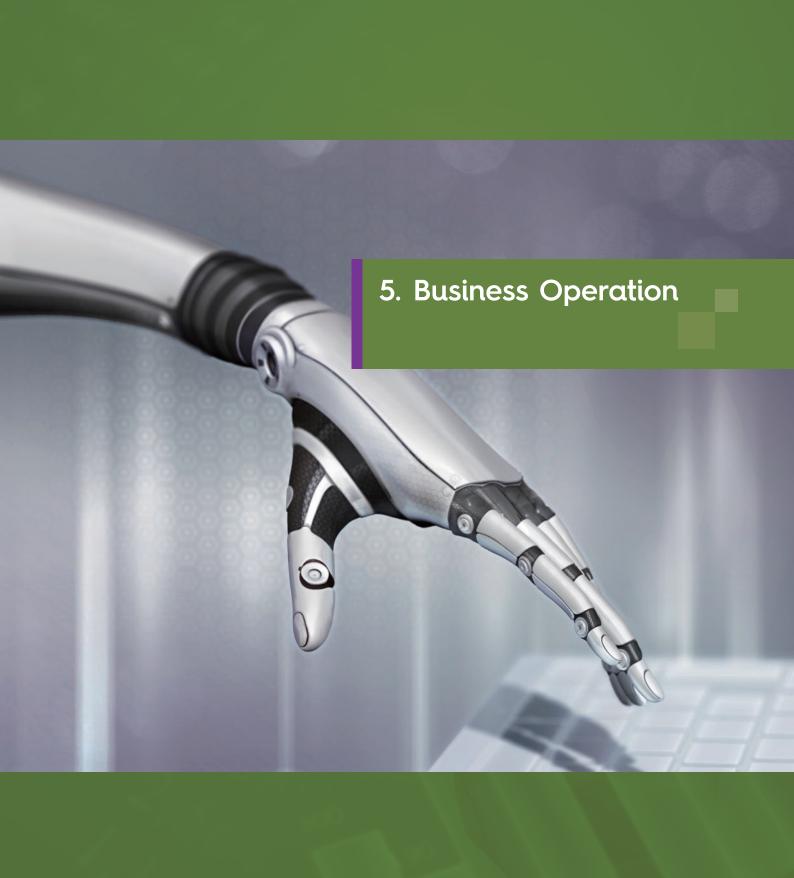
4-2. Issuance of Bank Debentures

Type of Bank Debt	1st subordinate financial debts in 2016	1st non-cumulative perpetual subordinated financial debts in 2018	2nd subordinate financial debts in 2018
Date Approved by Central Competent Authority, Document No.	Financial Supervisory Commission Executive Yuan, R.O.C. September 5, 2016 Document No.10500214440	Financial Supervisory Commission Executive Yuan, R.O.C. March 5, 2018 Document No.10702043550	Financial Supervisory Commission Executive Yuan, R.O.C. August 31, 2018 Document No.10702165540
Date of Issue	November 16, 2016	Jun 21, 2018	December 12, 2018
Denomination	500 thousand	10 million	10 million
Issue and transaction Place	Taiwan, R.O.C.	Taiwan, R.O.C.	Taiwan, R.O.C.
Currency	New Taiwan Dollar	New Taiwan Dollar	New Taiwan Dollar
Issue Price	Face value	Face value	Face value
Total Amount	1.8 billion	0.6 billion	0.6 billion
Interest Rate	Fixed rate 2.1%	Floating rate: Adjustable rate for consumer loans by season +3.06%	Fixed rate 1.95%
Term	7 years, matured on November 16, 2023	Perpetual	7 years, matured on December 12, 2025
Priority of Payment	Takes precedence over bank shareholders for distribution of surplus assets and is subordinate to the deposit client and all other creditors of the Bank.	Takes precedence over bank shareholders for distribution of surplus assets and is subordinate to tier 2 Capital holders, the deposit client and all other creditors of the Bank.	Takes precedence over bank shareholders for distribution of surplus assets and is subordinate to the deposit client and all other creditors of the Bank.
Guaranteeing Institution	None	None	None
Trustee	None	None	None
Underwriter	None	None	None
Certifying Lawyers	Wen-Cheng Chiang	Wen-Cheng Chiang	Wen-Cheng Chiang
Certifying CPA	Shi-Hua Guo	Shi-Hua Guo	Shi-Hua Guo
Certifying Financial Institution	None	None	None
Method of Redemption	Principal paid upon maturity	perpetual	Principal paid upon maturity
Unredeemed Balance	1.8 billion	0.6 billion	0.6 billion
Preceding Year's Paid-in capital	5,998,771,420 (2015)	7,625,523,040 (2017)	7,625,523,040 (2017)
Preceding Year's Post-Audit Net Value	7,916,736,553 (2015)	9,337,842,218 (2017)	9,337,842,218 (2017)
Performance Status	Normal	Normal	Normal
Sellback or Early Redemption conditions	None	30 days before announcement to comply with rules of competent authority it can be redeemed (including interest payable) after 5 years of the issuance	None

4. Capital Arrangement

Type of Bank Debt	1st subordinate financial debts in 2016	1st non-cumulative perpetual subordinated financial debts in 2018	2nd subordinate financial debts in 2018	
Rollover and Exchange Conditions	None	None	None	
Restrictive Conditions	Subordinated	Subordinated	Subordinated	
Capital Utilization plan	Raise the Bank's owner's capital and BIS ratio	Raise the Bank's owner's capital and BIS ratio	Raise the Bank's owner's capital and BIS ratio	
Amount of Registered Issuance Plus Outstanding Balance Already Issued as Ratio of Net Final Value of Issuance in Preceding Year.	22.74%	25.70%	32.13%	
Whether or not recorded as qualified capital and type	Yes, Tier 2 Capital	Yes, Tier 1 Capital	Yes, Tier 2 Capital	
Name of Rating Institution, Date of Rating, and Rating Given	Sales targets exclude non- professional investors. According to Regulations Governing Issuance of Bank Debentures by Banks Article 6 Item 2, Debt Rating is not required. At that time, COTA Bank Rating Data: Long-term : twBBB+, Short-term :twA-2, Outlook: Stable (Taiwan Ratings Corp. January 15, 2016)	Sales targets exclude non- professional investors. According to Regulations Governing Issuance of Bank Debentures by Banks Article 6 Item 2, Debt Rating is not required. At that time, COTA Bank Rating Data: Long-term: twBBB+, Short-term :twA-2, Outlook: Stable (Taiwan Ratings Corp. December 26, 2017)	Sales targets exclude non- professional investors. According to Regulations Governing Issuance of Bank Debentures by Banks Article 6 Item 2, Debt Rating is not required. At that time, COTA Bank Rating Data: Long-term : twBBB+, Short-term :twA-2, Outlook: Stable (Taiwan Ratings Corp. December 26, 2017)	

- 4-3. Preferred Stock: None
- 4-4. Issuance of Depositary Receipt: None
- 4-5. Employee Stock Option Plan: None
- 4-6. Status of Employee Restricted Stock: None
- 4-7. Merging or Acquisition of Other Financial Institutions: As of press time, none.
- 4-8. Utilization of Capital Plan: None



5. Business Operation

5-1. Business Report

5-1-1.Business Results

5-1-1.1 Deposits

Unit: TWD thousand

Year	31 Dec 2020		31 Dec 2019		Increase	Increase
Items	Amount	%	Amount	%	(Decrease) Amount	(Decrease) %
Checking Deposits	2,506,624	1.55%	2,268,189	1.48%	238,435	10.51
Demand Deposits	24,143,153	14.88%	20,618,892	13.41%	3,524,261	17.09
Foreign currency Demand Deposits	2,106,449	1.30%	1,493,517	0.97%	612,932	41.04
Demand Savings Deposits	44,467,178	27.41%	39,490,927	25.69%	4,976,251	12.60
Employees Demand Savings Deposits	886,962	0.55%	835,828	0.54%	51,134	6.12
Time Deposits	25,541,396	15.74%	25,589,475	16.64%	(48,079)	(0.19)
Foreign currency Time Deposits	1,247,268	0.77%	1,116,350	0.73%	130,918	11.73
Negotiable Certificates of Deposit	4,452,000	2.74%	6,253,000	4.07%	(1,801,000)	(28.80)
Time Savings Deposits	56,878,976	35.06%	56,080,486	36.47%	798,490	1.42
Remittances	9,971	0.01%	3,919	0.00%	6,052	154.43
Total	162,239,977	100.00%	153,750,583	100.00%	8,489,394	5.52

5-1-1-2 Loans

Unit: TWD thousand

Year	31 Dec 2	2020 31 Dec 201		2019	Increase	Increase
Items	Amount	%	Amount	%	(Decrease) Amount	(Decrease) %
Export Bills	0	0%	0	0%	0	0
Overdraft	0	0%	89	0%	(89)	0
Short-term Loan	1,933,092	1.59%	2,212,980	1.96%	(279,888)	(0.25)
Guarantee Overdraft	14,856	0.01%	31,428	0.03%	(16,572)	(0.02)
Short-term Secured Lending	8,893,267	7.32%	8,522,554	7.54%	370,713	0.33
Medium-term Loan	14,106,321	11.62%	12,650,791	11.19%	1,455,530	1.29
Medium-term Secured Lending	63,991,474	52.71%	61,572,797	54.47%	2,418,677	2.14
Long-term Loan	1,628,711	1.34%	692,806	0.61%	935,905	0.83
Long-term Secured Lending	30,669,200	25.26%	26,904,942	23.80%	3,764,258	3.33
Collection	177,386	0.15%	456,257	0.40%	(278,871)	(0.25)
Total	121,414,307	100.00%	113,044,644	100.00%	8,369,663	7.40

5-1-1-3 Foreign Exchange Business (OBU included)

Unit: USD thousand

Year	2020 Amount	2019 Amount	Increase (Decrease) Amount	Increase (Decrease) %
Foreign Currency Deposit	117,641	86,689	30,952	35.70
Foreign Currency Loan	25,285	25,790	(504)	(1.96)
Import and Export Business	4,259	9,572	(5,313)	(55.51)
Exchange Business	232,188	226,853	5,335	2.35

Note: Foreign exchange deposits and loans are the year-end balances; Import, export and remittance business are annual commitments

5-1-1-4 Trust Business

Unit: TWD thousand

Year Items	31 Dec 2020 Amount	31 Dec 2019 Amount	Increase (Decrease) Amount	Increase (Decrease) %
Non-Discretionary Money Trust Investment in Domestic and Foreign Securities	3,807,358	4,233,723	(426,365)	(10.07)
Other Trust of Money	899,599	566,272	333,327	58.86
Trust of Money (Total)	4,706,957	4,799,995	(93,038)	(1.94)
Trust of Real Estate	739,999	693,726	46,273	6.67
Trust Property under Trustees (Total)	5,446,956	5,493,721	(46,765)	(0.85)
Other Affiliated Business	0	0	0	0
Certified Business	0	0	0	0

5-1-1-5 Wealth Management Business

Unit: TWD thousand

Year	2020 Amount	2019 Amount	Increase (Decrease) Amount	Increase (Decrease) %
Fund Fee Income	12,738	11,661	1,077	9.24
Insurance Fee Income	123,813	172,791	(48,978)	(28.35)
Total	136,551	184,452	(47,901)	(25.97)

5-1-1-6 Credit Card Business

Unit: TWD thousand/ number of cards

Year	2020 Amount	2019 Amount	Increase (Decrease) Amount	Increase (Decrease) %		
Cumulative Total Number of Cards Issued	100,978	99,209	1,769	1.78		
Credit Card Circulation	15,006	15,149	(143)	(0.94)		
Amount of Consumption	1,206,644	1,539,944	(333,300)	(21.64)		
Revolving Credit Balance	19,216	24,580	(5,364)	(21.82)		

5-1-1-7 Investment Bond and Bills Business

Year	31 Dec 2020 Amount	31 Dec 2019 Amount	Increase (Decrease) Amount	Increase (Decrease)
Government Bond	999,274	1,001,569	(7,295)	(0.73)
Financial Bonds and Corporate Bonds	11,246,197	10,979,135	267,062	2.43
Convertible Bond	953,700	699,100	254,600	36.42
Reverse Repurchase Agreement	11,830,509	10,317,589	1,512,920	14.66
CBC Certificates of Deposits (include NCD)	15,380,000	16,380,000	(1,000,000)	(6.11)
Short-term Transactions Instruments	2,859,017	4,019,115	(1,160,098)	(28.86)

5-1-1-8 The Proportion and Change of Net Income of Operating Business

Unit: TWD thousand

	2	020	2019		
Items	Amount	Ratio of Net Income (%)	Amount	Ratio of Net Income (%)	
INTN (Interest Income (Net))	2,459,425	90.47	2,538,696	85.49	
FEE (Service Fee Revenue & Commission (Net))	225,708	8.30	273,584	9.21	
FIAL (Gains or Losses on Financial Assets (Liabilities) at Fair Value through Profit or Loss)	33,197	1.22	48,314	1.63	
FVTOCI (Realized Gains or Loss from Sale of Fair Value through Other Comprehensive Income Financial Assets)	5,678	0.21	5,358	0.18	
XGL (Foreign Exchange Gain)	(26,722)	(0.98)	(8,007)	(0.27)	
Profit on Reversal of Impairment Assets Loss	323	-	127,092	4.28	
OREV (Other Revenue Except for Interest Income)	21,158	0.78	(15,417)	(0.52)	
NREV (Net Revenue)	2,718,767	100.00	2,969,620	100.00	

5-1-2. Business Plans for year 2021

5-1-2-1. Operation Plans

- Strengthening capital structure and operation ability, improving asset quality, implementing risk management and corporate
 governance, enhancing the ability to undertake long-term risks.
- In order to fulfill the development of digital banks, we use the electronic processes to develop potential online-banking customers, select excellent target customer, and provide exclusive offers and services to expand business.
- Full investment in better profitability and safety financial commodities and strengthen management of margin funds with interest income and capital gains to improve financial operation performance.
- To provide customers with a more convenient service by enhancing mobile internet banking function continuously and find customer's financial needs for the purpose of improving customer use and penetration rate.
- To carry out legal compliance positively in the business management and plant deeply in the enterprise culture to be the important cornerstone for continuous operation.
- · Continuously simplifies accounting operations and streamlining manpower and time.
- In response to the implementation of Basel III, we strengthen the capital structure, the equity basis of common stock and the risk-taking ability.
- We implement budget enforcement to make resources more efficient.
- To cooperate with the competent authority to promote the development of financial technology and regulatory amendment, keep develop and improve the electronic access service to expand the digitalization of various business and provide convenient and diversified financial services.
- Concerning regional development prospects, the bank considers relocate branches and broadening channel efficiency.
- Keeping expand saving deposits, consumer banking, corporate loans, wealth management, trusts, foreign exchange, international banking, and e-banking. To adjust structure, enlarging economy of scale and enhancing operating efficiency to reduce costs and increase profits.
- Enhance staff training and education to promote professional functions for the development of financial technology.
- To develop and build related software and hardware system with the implementation of Computer Processed Personal Data Protection Law.

- Strengthening risk management to implementation reasonable pricing and uphold the principles of credit 5P in order to maintain high quality of the loan assets and increase capital efficiency.
- Concerning to simplify the operation procedure and internal control, review and improve business regulations any time to optimizing
 adjustment, promote service quality and work efficiency.
- Implementation of paperless and save on photocopying to get costs down.

5-1-2-2. Consumer Banking

- Planning to set up digital deposit accounts to expand digital channels and develop new customers.
- Continue to promote and participate in Taiwan Pay to bring mobile online banking services closer to customers' daily consumption needs, and gradually accumulate more digital customer groups.
- Facing growing scale of mobile payment market, evaluate business cooperation opportunities with other platform ppractitioners to enhance the bank's digital business development.
- Continue to strengthen and optimize internet and mobile online banking services to support various business developments to maintain customer relationships and core services.
- To facilitate payment of living bills and meet the needs of different customers, will expand multi-online payment methods for fee and tax in order to eliminate the inconvenience of customer and deepen relationship between customers and the Bank.
- Making good use of internal credit rating system to adjust factors and weights moderately after collecting sufficient quantitative data and summarize reasons for timing and overdue of default by using credit default database.
- In line with digital development and customer financial needs, we will continue to expand our network business and service scope to enhance our competitiveness.
- Strictly carry out SOP of credit and loan business, strengthen detailed evaluation of credit facility, review and follow-up outstanding cases after credit release and keep track of the performance of customer management and financial control to avoid or reduce losses and maintain credit assets.
- Continuously enhance staff education and training, cultivate major personnel in electronic financial business and strengthen ability of branches in marketing of digital financial service.
- We continue to promote and optimize online banking services to improve online banking usage and satisfaction.
- To plan various mobile payment services, such as credit card QR Code sweep and other payment application services, and participate actively in the development of domestic mobile payment.
- We continue to pay attention to emerging financial technology application development issues, discuss the feasibility of introducing financial technology resources into business, and improve service efficiency.
- To create optimized business model to upgrade Bank's competition so as to cope with external changes on competition and regulations to make maximum profits
- Enhance the pre-existing risk control capabilities of the entire product to improve asset quality and implement post-event management. Regularly review the operating conditions and asset quality of the consumer finance credit business, and adjust the pricing and credit policies of the products at any time, and strengthen the management structure of the product line to respond product performance.
- Continuous planning business operations, electronic and paperless, introducing the virtual and integrated service model to improve service efficiency.
- Making the back office standardized, automatic and digitalized to save operational cost and shorten operating time so that making the lending procedure more competitive and efficient to achieve the goal of economies of scale.
- Strengthen the understanding and recognition of the bank's consumer financial products for the wealth management investment group at the top of the pyramid.
- As widespread use of internet and mobile devices, revise the version to close customer needs to reach customer satisfaction and use willingness.

• Continuously strengthen the on-the-job training courses for business personnel, aiming at compliance, product positioning, marketing direction, development skills, service etiquette, and supplemented by the four purposes of integrity, innovation, cordiality, and service to improve the overall business team's production capacity.

5-1-2-3. Corporate Banking

- Continuously optimize the 24-hour service corporate online banking platform to provide funds transfer, investment and other financial services to meet customer capital demand in order to expand more SME.
- Registered as sole proprietorship, partnership or company organization according to law of SME are as the target to expand business portfolio according to their business status, credit quality, lending purpose and repayment plan, and also to enhance debt strengthens through SMEG and government-related policies.
- Following the policies of the government, continuously promoting SME loans to satisfy customers' needs, enlarging customers' base and economic scale, and enhancing market share of the corporate financing.
- Credit officer overview the industry and report to related person in order to grasp market trends.
- Ensuring claims, increasing secure percentage and reducing percentage of credit loans. If the loan met the requirement of the "Small and Medium Enterprise Credit Guarantee Fund", it should apply the Fund as a guarantor for reducing capital charge.
- Cooperating with the government's policies on economy growth and industries upgrading, providing the whole programs on corporate loans and satisfying the customers funding needs in each level.
- To set a control ratio of credit limit in various industries and strengthen corporate credit issues beforehand to prevent excessive concentration risk and pay attention to overall economy and market fluctuation.

5-1-2-4. International Banking & Foreign Exchange Business

- We cooperate with the IT department to plan and develop the foreign exchange function of the new system including loan, credit line, import/export, and deposit... etc.), so that the designated foreign exchange unit will use the integrated interface to operate the foreign exchange system.
- For anti-money laundering, we strengthen and implement the cash transaction, banknote identification and flow control of the branches.
- We cooperate with the IT department to carry out the annual format change of the SWIFT system.
- Customer can apply the reserved online banking transfer transactions without over-the-counter service to enhance foreign exchange automation services.
- We cooperate with the IT department to follow the regulations of the authority to add the login of derivative product promoters.
- To follow with the things to be aware of Anti-Money Laundering and countering terrorist finance, the Bank Integrates the identification and evaluation of national risk, and controls process over the real-time system and strengthen blacklist control and inspection.
- We plan the new foreign exchange system with IT member, which includes the data construction of deposit, import, export, bond and foreign exchange trading.
- Assisting branch to develop potential customers promoting trading finance to create more profits from foreign exchange by increasing business volume.
- In line with Central Bank's foreign exchange business management, cooperate with IT to amend foreign exchange data processing and uploading system to submit foreign exchange payment or transaction data.
- We continue to enforce the professional knowledge and training of foreign exchange in order to enhance ability to expand foreign exchange business.
- Increase fixed income commodity investment allocation, seeking high-rating overseas securities and creating revenues from financial operation on foreign currency funds.

5-1-2-5. Wealth Management

- We implement the internal control and internal audit mechanism, in addition to arranging regularly education, training and publicity courses, implementing laws and regulations and service quality, supervising wealth management personnel to implement compliant sales, and paying attention to the protection of customer rights.
- For the operation of wealth management customer group we take into account the size of the client's assets, age, investment experience, and the needs of the products at all stages of life to adopt differentiated business strategies, and the management will provide more diversified products for each client to enrich the overall asset allocation and investment portfolio.
- We interact with the market trends and hot topics on Line and Facebook in a timely manner to let existing and potential customers understand the current trends. It can strengthen customer interaction and loyalty directly and further actively develop potential customer groups by means of special discounts to achieve stable growth in the number of customers.
- With high age society and following the policy of government, we are actively in promoting trust care for the elderly and the physically and mentally handicapped people to enhance business social responsibility and customer experience value.
- We continue to increase extensive product and diversified financial product training and sales. We also develop core asset funds with fixed income and multiple assets as the main axis, and increase more diversified financial products and services.
- We place emphasis on the suitability of commodity KYP and customer KYC. We provide professional market reports regularly
 according to the general economic indicators, policy, macro and chip analysis, while taking into account opportunities and risk
 control, interpreting market fluctuations and customers 'investment and financial management needs, providing customers
 with financial management advice, constructing a stable and growing asset allocation plan, and meeting customers financial
 management needs at different stages.
- In order to take the marketing of all employees as a sales strategy, we strengthen the professional knowledge of the wealth management business of the employees, improve the professional knowledge and marketing skills through comprehensive financial management training, and tailor the financial planning for the customer, which can achieve the goal of the customer's financial management more effectively and quickly, thus improve and enhance the core value of the "service" of wealth management.
- We collect market information, introduce diversified and competitive investment commodities, and enrich the selection of listed commodities through the Bank's commodity listed review system to meet the different needs of various customers.
- In order to develop family wealth management business and extend personal wealth management business to family members, we proactively customize asset planning for customers and family members according to different financial goals in each stage of life, and then grasp customer needs, and effectively link to our financial products and services to grasp business opportunities in advance.
- Through the external teachers not only to shape the professional image and the realization of multi-life knowledge but also to enhance the professional knowledge of legal common sense and tax introduction.
- To promote diversified trust goods and provide customized services according to the different needs of customers, in order to realize the purpose of trust.
- In order to meet the financial needs of investors, maintain customer relationships, and provide a full range of professional financial services, we plan to hold VIP financial management seminars for high-quality customer from time to time, invite professional lecturers, and combine current hot topics to provide customers with the latest market information and communicate with customers in real time to arouse resonance, and build a solid relationship with customers by listening to the voices of customers.
- We look for high-quality domestic and foreign funds for customers with different risk appetites to have multiple choices, and assist to integrate with wealth management business to increase the operating scale of funds and trust wealth management products.
- To strengthen staff follow rules and business ethics, legal compliance and risk management in order to realize internal control and audit system, and actual practice in internal control of Three Lines of Defense to prevent possible drawbacks.
- In response to the global digital era, the APP business model is becoming popular. The Bank is trying to develop the device by using mobile network banking APP to combine with financial business, fund and market investment information so that customers are not limited by time and space to get the investment affairs to grasp the market situation.

- To make financial plans for customer, understand all use of assets to provide diversified financial products continuously in addition to meet parking demand for customer funds as well as to improve the depth and quality of banking services.
- To strengthen education and training cooperation with Fund and Insurance companies, invite external lecturer to hold regular and
 irregular finance courses, thus push and train staff to participate in the series of courses with financial expertise and marketing skills
 to achieve policy object of full business marketing.
- Regular review of annual objectives to achieve the situation in line with the market investment environment and carry out competition activities to strengthen staff will and improve performance.
- Strengthen professional education and training to staff about financial consumer protection, personal data protection and fair hospitality to maintain customer rights.

5-1-2-6. Asset & Liability Management, Risk Management and Funding

- For on-balance sheet and off-balance sheet projects, a perfect risk management system has been established and implemented to make the use of funds more effective and in line with the principles of safety, liquidity and profitability.
- The Bank promotes the loan and investment business not only follows the Bank Act, related regulations, and the Bank's internal rules to diversify the risks and to obtain effective usage on funds but also comply the highest limit provisions by industry, corporate groups, and country categories to avoid risk losses.
- Strictly monitoring the limits of the market risk in order to balancing returns against risks, optimizing asset allocation, and maintaining the safety and profitability of the capital.
- We monitor various credit limit management, give full play to risk management functions, improve risky asset structure, and strengthen the bank's capital adequacy ratio.
- To establish the bank's policy of risk oriented management gradually and continue to improve the long-term goal of sound growth and sustainable operation.
- Actively cultivating the core deposit client base, obtaining stable low funding cost, optimizing the liability structure, facilitating and increasing the quantity of deposits for both sides effectiveness.
- The Bank continued to maintain the smoothness and stability of the bank's cash flow management. While maintaining its existing peer relationships, keep continued to increase its counterparties to various financial commodities, expanded the sources of funding and reduced the funding cost.
- We strengthen the management of capital structure, and maintain a proper BIS ratio. The operation strategy is mainly to stabilize interest spreads, and carefully adjust the proportion of liquidity and stability to facilitate the funds.
- We increase long-term investment positions to enhance the operating performance of investment businesses, improve profitability, inject investment income, and increase bond investment to improve capital utilization and interest income.
- The wealth investment strategy focuses on strengthening financial operation and stable liquidity, dispersion of investment targets to ensure contributions of assets and abundant profits.
- Tightly controlling source of funds and the usage of tenors and interest rates so as to reduce re-pricing risks and maximize net interest income to raise the Bank's profitability, corporate value and competitiveness.
- In response to changes in regulations or operating environment, we immediately formulated corresponding measures and revised internal regulations or operating procedures, implemented the principles of consumer protection and fair hospitality, and further strengthened internal audit, internal control, risk management and compliance, and continued to optimize the Bank Systems and mechanisms for anti-money laundering and combating the financing of terrorism to ensure the effectiveness of compliance and internal controls.
- To strengthen interest rate sensitive assets (IRSA) and debt gap management to reduce basis risk, so that pricing can be consistent and reach goal of surplus.
- Actively cooperate with financial policies and regulations, strengthen management physique, capital structure and improve overall business performance to be high-quality financial institutions.

- Under the principle of the stability, safety and liquidity, the Bank actively searches available investment on excess funds and creates profitability on assets allocation.
- Considering the profitability, liquidity, and safety of the fund operation and stability of the source of funds, constructing integrated ALM system to get the risk under control.

5-1-2-7. Administration and Human Resource Management

- Controlling the manpower demand and condition, establishing the processes of the employee recruitment, deployment, layoff, and dismissal to ensure the Bank has talent and appropriate staff within a specified period.
- Through the financial incentives to encourage employees to increase staff's centripetal force and morale, reduce the dissatisfaction with the work and give employees a safe working environment.
- Place appropriate staff at the right time in the appropriate position, so that it can be efficient and effective to assist the Bank to achieve the overall goal.
- Implementing the counseling operation on staff with poor performance to adjust their attitude on job. If the Bank makes sure they are not suitable, they will be eliminated that will fully effective usage on human resources and to improve the bank's performance.

5-1-2-8. Credit Card Business

- The "QR Code Payment Function" service is launched. It is convenient for customers to quickly pay the fees of public institutions, without entering lengthy billing information and no credit card number to quickly complete the payment by using QR Code card transactions with security control and anti-counterfeiting mechanism.
- We expand online banking and mobile online banking app services, which add consumer content broadcast, quota management, card management, discount inquiry, card binding and other service functions.
- Plan to launch more feedbacks to holders for those using credit card overseas, attract holders to use the bank's credit card when going abroad, increase using our cards and fee income.
- Continuously streamline credit card operating procedures and modify execution procedures to improve customer satisfaction and employee efficiency.
- We promote the "mobile billing" service which customers who apply for mobile billing or electronic billing and stop sending paper bills will receive the cash-back or coffee voucher, providing customers to change the habit of receiving paper bills and further develop the habit of paying card fees online to reduces mailing fees and collect fees of convenience stores.
- We plan card-friend promotion activities of famous appointed stores, which cooperate with excellent customers of branches or high-quality stores with local characteristics to provide credit card reward or commodity vouchers for full credit card payment.
 It can provide branch customers with exposure opportunities, and increase revenue. Cardholders of our bank can easily obtain information on high-quality discount stores, and obtain credit card reward or merchandise vouchers, creating the bank's intention to continue to provide quality services.
- Launched VISA international organization EMV 3DS security mechanism service, and scored various risk parameters for online transactions, and then used the total score as the basis for whether to approve the transaction. At the same time, it gradually accumulated based on experience, and the risk score can be adjusted flexibly. When we effectively control the occurrence of piracy, take account of the normal transaction approval rate, will play a role in reducing the occurrence of online piracy and loss rates.
- Aiming at excellent cardholders with a higher annual consumption amount, we plan to provide services of airport transfers or green line. Through preferential services, we will close the relationship with high-quality customers, let them continue to establish close business relationships with the bank, and enhance card loyalty.
- The credit card operations are outsourced in a one-stop manner, including making, sealing and sending. The professional credit card manufacturer is responsible for the card making and sealing. After the card manufacturing operation is completed, the local post office will make a coordinator to send them out every afternoon, and then the card factory and post office provide monthly report and requests for payment, which can speed up to receive cards for customers, and reduce the manual labor of the center to seal the card and send cards to the post office, and the risk of personal data exposed.

- Add QR Code service items to the credit card insertion list, such as providing online card opening service, mobile banking app and
 electronic version of the agreed terms of credit card, to provide cardholders with more complete mobile service functions.
- The operation of the "Card Issuance Authorization Host Connection" system has been optimized to continuously collect risk information from international organizations and joint card centers, adjust risk control parameters and add risk control programs.
- "High cash rewards" is still the main stream of marketing. With the free three-phase payment service, it is conducive to bank credit cards marketing.

5-1-2-9. Insurance Agency Business

- Facing the coming of an aging society, the bank mainly promotes life insurance products with variable interest rates and guaranteed life insurance products, together with annuity insurance, health insurance, injury insurance, investment insurance and other property insurance products to provide customers with more diversification choice.
- Through internal self-checking, systematic management and regular inspection of internal operations processes to improve the accuracy and efficiency of administrative operations.
- To match customer needs, we offer different type of commodities such as interest- sensitive insurance, endowment insurance and investment-linked insurance to satisfy diversified wealth management needs of customers.
- Strengthen unit training to enhance business staff possess insurance expertise, increase operation efficiency and business promotion, thereby rising customer satisfaction.
- Cooperate with the introduction of competitive insurance products and fill gaps in the existing product lines to facilitate business promotion and create insurance fee income.
- Continue to pay attention to the supervision policies of the authorities, abide by laws and regulations and strengthen training, systematic management and regular review of internal operating procedures, strengthen internal control and audit, improve the accuracy and efficiency of administrative operations, so as to reduce the risk of sanctions by competent authorities.
- Occasional insurance seminars and training sessions are held to enhance insurance-related professional knowledge and to enable customers' insurance plans to take into consideration multiple functions such as protection, savings, investment, retirement, and tax savings.
- Irregular hold incentive activities to encourage the promotion of various business units and maintain a stable growth.

5-1-3. Market Analysis

5-1-3-1. Business Operation Area of the Bank

The Bank primarily focuses on domestic market. Up to Dec. 31, 2018, the Bank owns 30 branches and 1 Offshore Banking Unit which spread over Taipei, New Taipei City, Taoyuan City, Hsinchu City, Taichung City, Changhua County, Changhua City, Tainan City and Kaohsiung City. The Bank will continue to expand the business location in order to establish the full financial service network.

5-1-3-2. The Condition of Market Supply and Demand and Growth Potential in the Future

The competent authorities have been actively engaged in promotion of financial technology development in recent years, including promoting financial industry to actively cultivate FinTech personnel, expanding use and innovation of mobile payment, encouraging banks to cooperate with P2P online lending platforms, promoting sound development of crowd funding platforms, and encouraging insurers to develop FinTech's innovative products for big data applications, construct fund online sales platform and smart financial services, create digital account transfer operation environment, research on Distributed Ledger Technology (DLT), establish a financial information sharing and analysis center, and build identity reliability information center. React the rapid changes in financial environment, the Bank will continue to promote mobile and digital financial services, cooperate with different regulations, information development and opening of financial policies to develop diversified financial products and innovative services, build a more complete financial service network, in order to grasp the opportunity of development, effectively enhance the bank's profit and expand the scale of operations

5-1-3-3. Advantages in Competition and Prospects of Advantages, Disadvantages and Countermeasures

5-1-3-3-1. Advantages

- A. The future operating development of the Bank will be more stable after the continuous improvement on the structure of deposits and loans and asset quality.
- B. The Bank size small and with good elasticity can make decisions closer to the market and with high degree of resilience.
- C. Steady operation for a century, the Bank has stable financial condition and goodwill.
- D. The Bank will continuously develop Wealth Management and Trust business to increase fee income and diversify profit resources.

5-1-3-3-2. Disadvantages

- A. Financial globalization and domestic banks face in highly "large-scale" competition that compress small and medium banks financial services.
- B. The Bank runs smaller scale of deposit and loan business, branches distributed mostly in central region of Taiwan is not conducive to business development.
- C. With fewer resources to invest in IT equipment for small and medium sized banks to keep up with "Bank 3.0"—a digital environment policy.
- D. Financial institution products are homogeneous and high competitive in the short term does not eliminate and difficult to improve banking profits.

5-1-3-3. Countermeasures

- A. Increasing fee income on Wealth Management and actively expanding SME lending.
- B. To optimize bank digital financial services environment, choose suitable digital development strategies to enhance customer convenience and break through the limits of entities branch distribution. Furthermore, actively enhance the financial digital professional capabilities of employees to cope with the development of future technology.
- C. Keep adjusting for branch positions in order to establish a more complete financial services business.
- D. With "strengthening capital and stabilizing profits "as a perpetual business strategy, improve asset quality, reduce the cost of capital, and sound financial structure to keep profitable growth.

5-1-4. Financial Products Research and Development Overview

5-1-4-1. The Situation of Major Financial Products and New-established Units in Recent 2 Years

- Scale of Major Financial Product: Major Financial Product include TWD and G7 currency deposit, consumer loan, corporate lending, import and export of foreign currency remittance, exchange, finances advisor, trust product and credit card services, please refer to this annual report part 5: Business Operation
- New-established Units:

None

5-1-4-2. Expenditure and result of Financial Products Research and Development in Recent 2 years

5-1-4-2-1. Expenditure of Financial Products Research and Development in Recent 2 years:

• Expenditure of Financial Products Research and Development in recent 2 years. Year 2019: TWD2,783 thousand; Year 2020: TWD5,980 thousand

5-1-4-2-2. The Result of Major Financial Products Research and Development in Recent 2 years as the follow:

- Implementation of the 「Principles of internal control operations for banks to prevent misappropriation of client funds by wealth management specialists _ and related legislation such as Account Supervision Control mechanism, Wealth management customer visit mechanism, Customer communication data comparison management mechanism.
- Mobile internet banking added "Online Credit Application" and "One-Point Shortcut" services.
- Completed year 2019 joint declaration and due diligence criteria CRS reportable matters.
- The credit card EMV 3DSECURE service was launched to enhance the security of credit online transactions.
- The "Wire Transfer via Phone Number" service was online.
- Personal internet banking added English and update version.
- To upgrade prevention and control of anti-money laundering, counter terrorist financing related and blacklist check database systems.
- Mobile Internet Banking adds "Fingerprint Identification and Face recognition Login" service
- Taiwan pay scans QR Code transfer, payment and consumption deduction service online.
- Launched the "electronic Payment Tax Processing Platform" medical referee app payment platform service and financial institution collection mode.
- · Building big data analysis system
- To build up online education and training system for employee
- Revision of official website to support pages adaptation function
- Development of interbank FXML trading system
- To add ID text automatic identification of seal identification system to improve open bank accounts efficiency
- Development of mobile push notification system
- To develop pad system for internal meeting
- Development of lottery system for business unit activities
- · Cooperate with authorities to complete the evaluation of information security and ATM offensive and defensive drills
- · Complete various types of passbook management and the inventory details
- Increase "Firewall Hardware", "Source Code Analysis", Financial information service remittance and ATM host business system encipher
- Replacement partial of ATM to build a good space for disabled persons
- Credit card certificate management with computers and make e-book of bad debt
- Use Microsoft's AD system to control computer permissions to observe to Personal Information Protection Law

5-1-4-2-3. Research and Development Project in the Future:

- To strengthen working capitals and enhance sound financial structure in order to develop business
- To start internet online business successively in response to Bank 3.0
- Aggressive to create new trust products to enhance bank's competitive about the trust business
- Aggressive to develop digital financial services and streamline operational procedures to reduce costs and improve the Bank's client base to attract younger clientele.
- In accordance with the timing of process by authorities, the Bank develops plans of money laundry \(\) information risk assessment and risk control
- Establish standard and simplify operating processes and enhance of IT system integrator in order to improve operational efficiency and customer satisfaction
- Studying to establish a database to analyze customer contacts in order to provide new financial products that better meet customer needs based on customer trading habits
- To construct sound risk management organizations and mechanisms to assess and monitor the efficiency of credit risk, market risk, operational risk and liquidity risk enhancing performance and asset quality

- To reinforce electronic financial services by keeping R&D on website and internet banking business in order to provide better internet transaction platform to match varied demands
- To keep develop cross-board of cash flow service platform in order to get the latest financial market context and trends all the time

5-1-5. Long/Short Term Business Development Plan

5-1-5-1. For our Short Term Business Development Plan, details please refer to our profile of Business Plans for Year 2020

5-1-5-2. Long Term Business Development Plan

- Aggressive to develop digital financial services and streamline operational procedures to reduce costs and improve the Bank's client base to attract younger clientele.
- Strengthen cooperation with excellent fund companies to provide customers with the target of asset selection and configuration to enhance customer trust in the Bank.
- Continue to promote the IC ATM card cross-border withdrawal and consumer deduction business.
- Continually focus on development of new financial products and track the following conditions in inter-banks and customers
 maintenance. According to customer needs to consider the feasibility and the risk of new financial products to increase
 business profit.
- To set up customer database and analysis on customer transactions behavior to provide more in line with customer demand of new financial products.
- Create an innovative financial environment and strengthen the use of LINE@ and FB messaging from Wealth Management and identify customer preferences to reach more users, and use behavior analysis to narrow the distance with customers.
- Continued on the official website, E-banking and mobile banking APP for innovation and research and develop on network payment platform to match customer needs.
- Continuing promotion of the gold passbook business and researching the benefits of setting up foreign currency gold passbook business and the more diversified way ex. regular fixed amount deductions in order to Increase revenue and provide options that better meet customer needs.

5-2. Human Capital

Information of Educational Background for Employees in Recent 2 Years

Item	Year	2019	2020	Up to Feb. 28, 2021
Number of E	mployee	1,106	1,104	1,150
Average Age		42.11	42,42	41.72
Average Sen	iority	15.61	16.03	15.51
	PhD	2	2	2
	Master	79	81	81
Structure of Education	Junior college	847	846	846
Luucation	High school	175	170	216
	Below high school	3	5	5

Certificated Proficiency Tests of Employees	Total (Up to Feb. 28, 2021)
Basic Proficiency Test for Bank Lending Personnel	563
Advanced Proficiency Test for Bank Lending Personnel	42
Proficiency Test for Bank Collateral Appraisal Personnel	48
Basic Proficiency Test for International Banking Personnel	406
Proficiency Test for Foreign Exchange Trading Personnel	45
Proficiency Test for Financial Planning Personnel	332
Test for Small-Medium Business Financial Staff	175
Proficiency Test for Trust Operations Personnel	726
Proficiency Test for Obligation & Debt Collection Personnel	203
Proficiency Test for Bank Internal Control and Audit Personnel	742
Proficiency Test for Financial Risk Management Personnel	3
Securities Investment Analysts	6
Senior Securities Specialist	214
Securities Specialist	155
Future Specialist	177
Securities Investment Trust & Consulting Professionals	204
Qualified Test for Bill Finance Specialist	98
Proficiency Test for Bond Specialist	21
Proficiency Test for Stock Affair Specialist	15
Basic Ability Test for Asset Securitization	5
Personal Insurance Representative	760
Test for Life Insurance Representative (Foreign Currency Base) – Non Investing Insurance Products	516
Investment-Orientated Insurance Representative	450
Property Insurance Representative	671
Financial Risk Management (FRM)	1
Land Registry Agent	3
Property Insurance Agent	8
Personal Insurance Agent	7
Personal Insurance Broker	4
Property Insurance Broker	3
General English Placement Test – Intermediate	2
General English Placement Test – Elementary	26
TOEIC score above 880	2
TOEIC score 750-880	6
TOEIC score 550-750	21
TOEIC score 350-550	15

5-3. Responsibility and Ethical Code

The Bank all along been upholding "what is taken from society, used for the community" to fulfill social responsibility. For many years the Bank also sponsored charity activities of Eden Social Welfare Foundation, Ganlin Social Welfare Charity Foundation, CULROC - 3 on 3 Basketball Community Tournament, Taichung Food Bank. The Bank set up "COTA Culture and Education Foundation" in Aug. 1999 to develop the public welfare like as lifelong learning lectures, arranging book club for elder persons, with other public interest groups held health talks and friendship activities for retirees. Held activity of voluntary blood donation with Taichung Blood Center for 6 years that raised 1,400 donated blood bags of total in 350,000 c.c. In addition, in 110, the Bank sponsored the blessing road run organized by the Taiwan Old Tree Rescue Association, and Consumer's Foundation, Chinese Taipei (CFCT) to support public welfare organizations and implement the concept of corporate care.

5-4. Number of non-supervisory positions employees, average annual welfare expenses and the difference between two years

Unit: TWD

Item	2019	2020
Number of Non-supervisory Employees	1,058	1,054
Average salary of Non-supervisory Employees	971,299	965,811
Median salary of Non-supervisory Employees	976,347	981,227
Non-supervisory Employee Welfare Expenses	1,184,733,266	1,172,628,859
Average Welfare Expense for each Non- supervisory Employee	1,119,786	1,112,551

Note:

5-5. IT Equipment

The Bank uses IBM UNIX server for Business System, Testing System, Inter-bank Business and Utility System separately. Furthermore, we also uses Windows server and Linux server depend on network and different business lines, and operated by virtualized integration and deployment in multiple entities. Up to date, our working software includes Demand Deposits, Time Deposit, Comprehensive Deposit, collection of bills, collection and payment, ATM and financial cards, correspondent banking, credit, safe deposit box, insurance, trusts, gold passbooks, credit card, Foreign Exchange (including DBU and OBU), Personal Internet Banking, Corporate Internet Banking, Mobile Banking, phone Voice, etc., as well as Staff Field System (including E-Document, Staff Management, Personnel & Wages, Operation Analysis, Credit Review, consumer finance, business finance, financial commissioner, wealth management, messaging transmission, document image transmission, joint inquiry, teaching film platform, employee's job content platform, ...) accounting, seal management, etc.

In respond to the implementation Personal Information Protection Act, prevent data leakage, enhance with query, restriction on use data and record. Build up environment of AD (Active Directory), strengthen the management of Terminal computer equipment

^{1.} Definition of "Employee" is that individual provides service for the Bank and under the supervision (irrespective of the nationality and foreigners) which does not contain only contacts with the Bank (ex. Insurance agents earn commission, after completion of agreed work to earn remuneration and without the act of employee rights), outsourcing or the temp as well as directors and supervisors.

^{2. &}quot;Non-Supervisory Position" is not responsible for the management of staff or with administrative responsibility of unit

^{3. &}quot;Employee Welfare Expense" is all forms of consideration of the Bank can offer in exchange for the staff to provide services according to IAS19. And follow the rule of Regulations Governing the Preparation of Financial Reports by Public Banks, "Employee Welfare Expense" includes employee salaries, Labor Insurance, Health Insurance, retirement pensions and other employee benefits (including commission and net income of fees etc.)

using and we built up DLP (Data Loss Prevention/Protection) system to intercept the possible leaking of personal information through email, internet or USB device. On the safety of web page, we have used web page safety testing system to prevent from the leaking of program.

To follow the act of Anti-Money Laundering and Counter Terrorist Financing, the Bank sets up related computer systems of customer risk revaluation, high risk list detection, filters of suspicious transaction data, cash transaction report, Import/ Export and cross-border remittance transactions monitoring etc.

The Bank uses Mirror Disks to protect all transactions data completely and keeps duplicates of disc and magnetic film every working day. Use two telecommunication circuits of lines and build 4G wireless backup. Main communication equipment applied HA framework so that on-line automatic replacement is available when it failed. There is a hard copy for surrounded equipments and with a system safety controlling mechanism so as to guarantee safety of transactions. We also install backup systems at different locations in order to continue to deal with the whole business when accidents occur.

In terms of information security, according to the regulations of the competent authority, the bank contacts the qualified professional organizations for information security assessment every year. They investigate and evaluate the security of information systems and equipment in the bank. If any risk is found, it must first be improved to improve information security and reliability. Set up the contingency procedures for the security incidents and conduct regular drills; the SWIFT system has been enhanced to meet the CSP specifications set by the SWIFT organization; introduced the ISO 27001 information security management system and passed the international certification to strengthen the internal security control mechanism; and the network application firewall has been established (WAF), enhance the defense capabilities of the Bank's website.

5-6. Labor-Management Relationship

5-6-1. Current important employer-employee agreement and its implementation:

In order to stabilize the quality of staff life and improve the working efficiency, the Bank takes care of the welfare for staff with regard to give birth, marriage and funeral events, medical treatment and accidents.

5-6-1-1. Group Insurance

In accordance with laws and regulations, the Bank applies Labor Insurance and National Health Insurance for all staff. We will give cash through Bureau of Labor Insurance if any accident caused. Moreover, we cover accident insurance with the Shin Kong Life for all staff.

5-6-1-2. Bonus

Based on revenue performance, the Bank provides extra bonus at Lunar New Year, Dragon Boat Festival and Mid-Autumn Festival each year. The net earnings by fix ratio are assigned to be bonus for staff with good performance after covering prior years' deficits, income tax, and legal reserves and distribute bonus.

5-6-1-3. Incentive Interest Rate

The Bank provides favorable interest rate of deposits or loans for all staff.

5-6-1-4. Security and Hygiene

To prevent occupational disaster and ensure staff health, the Bank takes care of security and hygiene in accordance with related laws of worker safety sanitation.

5-6-1-5. Staff Proficiency Training

To enhance the level of our employee of profession, In addition to select appropriate personnel to participate in various seminars organized by professional training institutions, the bank depends on the business need to implement new staff pre-service training, in-service training and professional technical training. The bank can also select meritorious personnel to go to domestic and foreign universities to study, or to participate in related financial business study tours.

The Bank's pension fund is pursuant to old-version and updated version which based on Labor Law for "Staff Retirement Plan". The benefit payments and credits suit separately by the above-mentioned plans and based on the years of service and final salary. In accordance with Labor Law, we will calculate 15% of total salaried employees by month (exclude appointed managerial employee) to be retirement payment that was deposited in the pension account in the Bank of Taiwan. We have another account for appointed management that calculated 8% of their salary each month. The Bank has no significant argument between employee and employer at present.

5-6-2. Damage from Argument between Labor and Capital in Recent 2 Years

All personnel management and staff welfares of the Bank are conformed to Labor Law. We retain agreeable labor-capital relationship and never suffered damage from arguments.

5-6-3. Labor Inspection

In accordance with the ruling No. 1080186291 issued by the Taichung City Government on August 8, 2008, the Bureau has ruled that the Bank's work rules have not been amended in a timely manner in accordance with laws and regulations or changes in labor agreements, and the report was not submitted for approval within 30 days, which violates Article 70 of the Labor Standards Law and Article 37 of the Regulations and Article 79, Item 3, fined NT 20,000, and the case has been improved and the Taichung City Government 's approval letter has been obtained.

5-7. Major Contracts

Nature of Contract	Concern Party	Contractual Period	Major Content	Restrictive Covenants
Deposit Insurance Contract	Central Deposit Insurance Corp.	Engaged on Aug. 15, 1995	To enhance protection of customer deposits	The same depositor maximum amount of compensation is up to TWD3 million
Bank Comprehensive Insurance	Chung Kuo Insurance Co., Ltd.	From Apr. 1, 2020 to Apr. 1, 2021	Staff unfaithful behavior Asset of branches Asset in transit Forged drafts and securities Forged cash Damage of equipment Fault of securities or contracts Inadvertency of short banknotes	None
Outsourcing Contract	Yuen Foong Paper Co., Ltd.	From May 3, 2020 to May 2, 2021	Transaction statements	None
Outsourcing Contract	Han Yeh Office Supplies Company	From May 3, 2020 to May 2, 2021	Computer printing jobs and packages	None

Nature of Contract	Concern Party	Contractual Period	Major Content	Restrictive Covenants
Outsourcing Contract	Taiwan Security Co., Ltd. and Lian-An Co., Ltd.	From Oct. 1, 2020 to Sep. 30, 2021	Loading cash & troubleshooting of AMT	None
Outsourcing Contract	Taiwan Security Co., Ltd.	From Jun. 1, 2020 to May 31, 2021	Securities, cheques and cash delivery	None
Outsourcing Contract	Feng Tay Motor Co., Ltd.	From Jun. 27, 2020 to Jun. 27, 2021	To search cars for overdue payments of car loans	None
Outsourcing Contract	21Century Finance Service	From Jun. 27, 2020 to Jun. 27, 2021	To search cars for overdue payments of car loans	None
Outsourcing Contract	Sinjang Co., Ltd.	From Jun. 27, 2020 to Jun. 27, 2021	Authorization of vehicle auction	None
Outsourcing Contract	President Chain Store Corporation	From May 1, 2020 to Apr. 30, 2021	Collection for consumer loans	None
Outsourcing Contract	National Credit Card Center of R.O.C.	From Mar. 10, 2007 to either party in writing of termination and confirm the termination date	Credit card business (credit card payment system & support services)	None
Outsourcing Contract	President Chain Store Corporation	From Jun. 13, 2020 to Jun. 13, 2021	Collection for credit card payments	None
Outsourcing Contract	Taiwan Family Mart Co., Ltd.	From Apr 5, 2020 to Apr 5, 2021	Collection for credit card payments	None
Outsourcing Contract	Hi-Life International Co., Ltd.	From Apr 5, 2020 to Apr 5, 2021	Collection for credit card payments	None
Outsourcing Contract	OK · Mart	From Apr 5, 2020 to Apr 5, 2021	Collection for credit card payments	None
Outsourcing Contract	Taiwan Name Plate Co., Ltd.	From Mar. 10, 2020 to Mar. 9, 2021	Chip-card processing, package and mailing	None
Outsourcing Contract	Chunghwa Post Co., Ltd.	From Sep. 20, 2020 to Sep. 19, 2021	Statements printing & package of full management accounts	None
Outsourcing Contract	Transnational Logistic Solutions (Taiwan) Pte. Ltd.	From Dec. 1, 2020 to Nov. 30, 2021	Bank cheques, documents & securities collection & delivery	None

5-8. Information of Approved Securitization Products in Recent Years: None



6-1. Condensed Balance Sheet and Statement of Comprehensive Income over the Past Five Years

6-1-1. Consolidated Condensed Balance Sheet under IFRS

Year		Financial data during recent 5 years				Up to YYYY/
Descriptions	2020	2019	2018	2017	2016	MM/DD financial data
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks	13,207,433	11,523,070	10,439,306	9,509,193	24,477,847	
Financial asset or Financial Liability at fair value through profit or loss	3,933,739	4,838,859	1,471,328	820,000	1,796,034	
Financial assets measured at fair value through other comprehensive income	9,112,823	9,077,823	7,495,797	-	-	
Debt instrument investment measured by amortized cost	18,920,584	19,611,071	18,116,779	-	-	
Available-for-sale financial assets	-	-	-	3,736,500	6,375,802	
Derivative Financial Assets for Hedging	-	-	-	-	-	
Bonds and bills purchased under resale agreements	11,830,509	10,317,589	9,681,841	8,968,517	2,102,052	
Net Receivables	334,232	374,098	392,836	385,124	404,658	
Current tax Assets	-	-	-	6,725	6,725	
Assets Held for Sell	-	-	-	-	-	
Net Discounts and Loans	119,450,148	111,195,714	114,714,150	114,538,216	111,725,677	
Held-to-maturity financial assets	-	-	-	18,762,940	3,525,120	
Long-term investments under equity method	-	-	-	-	-	
Restricted assets	-	-	-	-	-	
Other financial assets	-	-	36	182,100	186,372	
Net real estate and equipment	1,267,641	1,278,620	1,311,480	1,339,251	1,321,946	
Net royalty assets	137,224	143,019	-	-	-	
Net investment real estate	1,133,410	1,134,559	1,004,301	991,733	830,192	
Net Intangible assets	121,294	111,730	114,567	111,395	107,688	
Net Deferred tax assets	156,038	138,300	165,541	162,668	177,823	
Other assets	140,719	120,631	140,232	105,505	70,841	
Total Assets	179,745,958	169,865,083	165,048,194	159,619,867	153,108,777	
Deposits to The Central Bank and other banks	285,419	39,201	64,470	77,837	64,470	
Financing to The Central Bank and other banks	-	-	-	-	-	
financial liability at fair value through loss	1,093	75	360	16	491	
Hedging derivative financial liabilities	-	-	-	-	-	
Bonds and bills held under repurchased agreements	-	-	-	-	-	
Accounts Payable	731,785	807,168	790,203	825,747	732,650	
Current tax liability	88,169	27,797	50,525	82,787	2,946	
Liabilities directly associated with assets held for sale	-	-	-	-	-	

	Year		Financial d	ata during rec	ent 5 years		Up to YYYY/
Descriptions		2020	2019	2018	2017	2016	MM/DD financial data
Deposits and remittances		162,239,977	153,750,583	149,603,103	144,335,490	139,736,041	
Bond payable		3,000,000	3,000,000	3,000,000	3,300,000	3,300,000	
Preference share liab	bilities	-	-	-	-	-	
Other financial liabilit	ties	-	-	-	-	-	
Provision for liabilitie	S	193,257	175,081	255,287	259,015	299,452	
Lease liabilities		139,810	144,822	-	-	-	
Deferred tax liabilities	Deferred tax liabilities		112,450	118,239	110,642	115,526	
Other liabilities		421,306	348,137	322,950	337,280	339,951	
Total liabilities	Before allocation	167,212,413	158,405,314	154,205,137	149,328,814	144,591,527	
Total liabilities	After allocation	-	158,615,473	154,407,213	149,519,452	144,782,648	
Equity attributable to	owners of the parent	12,533,545	11,459,769	10,843,057	10,291,053	8,517,250	
Ohana aanital	Before allocation	9,251,037	8,406,376	8,083,054	7,625,523	6,370,695	
Share capital	After allocation	-	8,751,037	8,406,376	8,083,054	6,625,523	
Capital reserve	1	915,148	912,013	911,160	910,524	898,234	
Detained comings	Before allocation	2,229,979	2,096,382	1,838,638	1,732,015	1,256,421	
Retained earnings	After allocation	-	1,541,562	1,313,240	1,083,846	810,472	
Other components		137,381	44,998	10,205	22,991	-8,100	
Treasury Shares		-	-	-	-	-	
non-controlling intere	ests	-	-	-	-	-	
Total Shareholders'	Before allocation	12,533,545	11,459,769	10,843,057	10,291,053	8,517,250	
equity	After allocation	-	11,249,610	10,640,981	10,100,415	8,326,129	

Note:

- 1. The earnings distribution for 2020 has not been approved by the 2021 Shareholders' General Meeting.
- 2. 2017 Implementation evaluation Impairment of individual assets, Recognition Impairment of Investment property and Reversal gains TWD162, 574, 000.
- 3. 2019 Implementation evaluation Impairment of individual assets, Recognition Impairment of Investment property and Reversal gains TWD129,331, 000. As of the date of publication of the annual report, there is no recent financial information available for the CPA audit or review.



6-1-2. Entity Condensed Balance Sheet under IFRS

Unit: TWI							
Year		Financial d	ata during rec	ent 5 years		Up to YYYY/ MM/DD	
Descriptions	2020	2019	2018	2017	2016	financial data	
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks	13,207,433	11,523,070	10,439,306	9,509,193	24,477,847		
Financial asset or Financial Liability at fair value through profit or loss	3,933,739	4,838,859	1,471,328	820,000	1,796,034		
Financial assets measured at fair value through other comprehensive income	9,112,987	9,077,823	7,495,797	-	-		
Debt instrument investment measured by amortized cost	18,920,584	19,611,071	18,116,779	-	-		
Available-for-sale financial assets	-	-	-	3,736,500	6,375,802		
Derivative Financial Assets for Hedging	-	-	-	-	-		
Bonds and bills purchased under resale agreements	11,830,509	10,317,589	9,681,841	8,968,517	2,102,052		
Net Receivables	334,232	374,098	392,836	385,124	390,473		
Current tax Assets	-	-	-	6,725	6,725		
Assets Held for Sell	-	-	-	-	-		
Net Discounts and Loans	119,450,148	111,195,714	114,714,150	114,538,216	111,725,677		
Held-to-maturity financial assets	-	-	-	18,762,940	3,525,120		
Long-term investments under equity method	-	-	-	-	39,513		
Restricted assets	-	-	-	-	-		
Other financial assets	-	-	36	182,100	186,372		
Net real estate and equipment	1,267,641	1,278,620	1,311,480	1,339,251	1,321,946		
Net royalty assets	137,224	143,019	-	-	-		
Net investment real estate	1,133,410	1,134,559	1,004,301	991,733	830,192		
Net Intangible assets	121,294	111,730	114,567	111,395	107,688		
Net Deferred tax assets	156,038	138,300	165,541	162,668	177,823		
Other assets	140,719	120,631	140,232	105,505	68,825		
Total Assets	179,745,958	169,865,083	165,048,194	159,619,867	153,132,089		
Deposits to The Central Bank and other banks	285,419	39,201	64,470	77,837	64,470		
Financing to The Central Bank and other banks	-	-	-	-	-		
financial liability at fair value through loss	1,093	75	360	16	491		
Hedging derivative financial liabilities	-	-	-	-	-		
Bonds and bills held under repurchased agreements	-	-	-	-	-		
Accounts Payable	731,785	807,168	790,203	825,747	722,944		
Current tax liability	88,169	27,797	50,525	82,787	-		
Liabilities directly associated with assets held for sale	-	-	-	-	-		
Deposits and remittances	162,239,977	153,750,583	149,603,103	144,335,490	139,773,092		
Bond payable	3,000,000	3,000,000	3,000,000	3,300,000	3,300,000		
preference share liabilities	-	-	-	-	-		
	•	•			•		

	Year		Financial d	ata during rec	ent 5 years		Up to YYYY/ MM/DD
Descriptions		2020	2019	2018	2017	2016	financial data
Other financial liability	ties	-	-	-	-	-	
Provision for liabilitie	S	193,257	175,081	255,287	259,015	299,452	
Lease liabilities		139,810	144,822	-	-	-	
Deferred tax liabilitie	S	111,597	112,450	118,239	110,642	115,526	
Other liabilities		421,306	348,137	322,950	337,280	338,864	
Total liabilities	Before allocation	167,212,413	158,405,314	154,205,137	149,328,814	144,614,839	
Total liabilities	After allocation	-	158,615,473	154,407,213	149,519,452	144,805,960	
Equity attributable to	owners of the parent	12,533,545	11,459,769	10,843,057	10,291,053	8,517,250	
Chara conital	Before allocation	9,251,037	8,406,376	8,083,054	7,625,523	6,370,695	
Share capital	After allocation	-	8,751,037	8,406,376	8,083,054	6,625,523	
Capital reserve		915,148	912,013	911,160	910,524	898,234	
Retained	Before allocation	2,229,979	2,096,382	1,838,638	1,732,015	1,256,421	
earnings	After allocation	-	1,541,562	1,313,240	1,083,846	810,472	
Other components		137,381	44,998	10,205	22,991	-8,100	
Treasury Shares		-	-	-	-	-	
non-controlling intere	ests	-	-	-	-	-	
Total Shareholders'	Before allocation	12,533,5451	11,459,769	10,843,057	10,291,053	8,517,250	
equity	After allocation	-	11,249,610	10,640,981	10,100,415	8,326,129	

Note:

- 1. The earnings distribution for 2020has not been approved by the 2021Shareholders' General Meeting.
- 2. 2017 Implementation evaluation Impairment of individual assets, Recognition Impairment of Investment property and Reversal gains TWD162,574, 000.
- 3. 2019 Implementation evaluation Impairment of individual assets, Recognition Impairment of Investment property and Reversal gains TWD129,331, 000.
- As of the date of publication of the annual report, there is no recent financial information available for the CPA audit or review.

6-1-3. Entity Consolidated Statement of Comprehensive Income under IFRS

Year		Financial da	ata during rec	ent 5 years		Up to YYYY/ MM/DD
Descriptions	2020	2019	2018	2017	2016	financial data
Interest income	3,346,291	3,605,294	3,578,908	3,497,564	3,414,505	
Interest expense(Minus)	886,866	1,066,598	1,003,973	991,327	1,012,506	
Net Interest income	2,459,425	2,538,696	2,574,935	2,506,237	2,401,999	
Other net interest income	259,342	430,924	318,254	414,681	332,039	
Net income	2,718,767	2,969,620	2,893,189	2,920,918	2,734,038	
Provision for bad debt expense and guarantees	7,637	159,681	88,142	(93,114)	12,120	
Operating expense	1,856,458	1,920,907	1,905,510	1,950,196	1,863,275	
Income from continuing operations before income taxes	854,672	889,032	899,537	1,063,836	858,643	
Tax income (expense)	(160,655)	(140,406)	(145,926)	(146,554)	(143,826)	
Net profit from continuing operations	694,017	748,626	753,611	917,282	714,817	
profit or loss from discontinuing operations	-	-	-	-	-	

		Financial d	ata during rec	ent 5 years		Up to
Descriptions	2020	2019	2018	2017	2016	YYYY/ MM/DD financial data
Current net profit (or loss)	694,017	748,626	753,611	917,282	714,817	
Current other comprehensive income (after taxes)	86,784	69,309	(17,062)	35,352	(114,334)	
Current Total other comprehensive income	780,801	817,935	736,549	952,634	600,483	
Net profit attributable to owners of the parent	694,017	748,626	753,611	917,282	714,817	
Net profit to non-controlling interests	-	-	-	-	-	
Current Total other comprehensive income to owners of the parent	780,801	817,935	736,549	952,634	600,483	
Current Total other comprehensive income to non-controlling interests	-	-	-	-	-	
Earnings per share	0.78	0.86	0.90	1.13	1.08	

6-1-4. Entity Condensed of Comprehensive Income under IFRS

Year		Financial d	ata during rec	ent 5 years		Up to YYYY/ MM/DD
Descriptions	2020	2019	2018	2017	2016	financial data
Interest income	3,346,291	3,605,294	3,578,908	3,497,564	3,414,505	
Interest expense (Minus)	886,866	1,066,598	1,003,973	991,356	1,012,682	
Net Interest income	2,459,425	2,538,696	2,574,935	2,506,208	2,401,823	
Other net interest income	259,342	430,924	318,254	404,313	289,868	
Net income	2,718,767	2,969,620	2,893,189	2,910,521	2,691,691	
Provision for bad debt expense and guarantees	7,637	159,681	88,142	(93,114)	12,120	
Operating expense	1,856,458	1,920,907	1,905,510	1,940,954	1,826,369	
Income from continuing operations before income taxes	854,672	889,032	899,537	1,062,681	853,202	
Tax income (expense)	(160,655)	(140,406)	(145,926)	(145,399)	(138,385)	
Net profit from continuing operations	694,017	748,626	753,611	917,282	714,817	
profit or loss from discontinuing operations	-	-	-	-	-	
Current net profit (or loss)	694,017	748,626	753,611	917,282	714,817	
Current other comprehensive income (after taxes)	86,784	69,309	(17,062)	35,352	(114,334)	
Current Total other comprehensive income	780,801	817,935	736,549	952,634	600,483	
Net profit attributable to owners of the parent	694,017	748,626	753,611	917,282	714,817	
Net profit to non-controlling interests	-	-	-	-	-	
Current Total other comprehensive income to owners of the parent	780,801	817,935	736,549	952,634	600,483	
Current Total other comprehensive income to non-controlling interests		-			-	
Earnings per share	0.78	0.86	0.90	1.13	1.08	

Name of Visa Accountant for the last 5 years and his checking opinion

Year	Name of accounting firm	Name of accountant	Checking comments
105	KPMG	Shih-Hua Kuo and Yuan-Chen Mei	Unqualified Opinion
106	KPMG	Shih-Hua Kuo and Yuan-Chen Mei	Unqualified Opinion
107	KPMG	Chun-Yuan Wu and Yuan-Chen Mei	Unqualified Opinion
108	KPMG	Chun-Yuan Wu and Yuan-Chen Mei	Unqualified Opinion
109	KPMG	Chun-Yuan Wu and Chiu-Hua Hsieh	Unqualified Opinion

6-2. Analysis on Major Financial Ratios for Recent Five Years

6-2-1. Under IFRS Consolidated

	Year (Note.1)		Financial ana	lysis during re	ecent 5 years		Up to
Description	ns (Note.3)	2020	2019	2018	2017	2016	(Note 2)
	Loans to deposits ratio (%)	74.84	73.52	78.01	80.83	81.54	
	Overdue loan ratio (%)	0.20	0.44	0.50	0.24	0.22	
	Interest expense to average balance of deposits ratio (%)	0.51	0.65	0.64	0.64	0.70	
Operating Capability	Interest income to average balance of loans ratio (%)	2.43	2.63	2.59	2.59	2.79	
	Total assets turnover (times)	0.02	0.02	0.02	0.02	0.02	
	Average operating revenue per employee	2,483	2,719	2,606	2,560	2,417	
	Average earnings per employee	634	686	679	804	626	
	Return on first capital type assets (%)	6.98	7.79	8.54	11.75	10.85	
D 6: 133	ROA (%)	0.40	0.45	0.46	0.59	0.48	
Profitability	ROE (%)	5.79	6.71	7.13	9.75	8.64	
	Net income ratio (%)	25.53	25.21	26.05	31.40	26.15	
	EPS (loss)	0.78	0.86	0.90	1.13	1.08	
Financial	Ratio of liabilities to assets	93.01	93.23	93.41	93.53	94.41	
structure	Ratio of fix assets to shareholder's equity	10.11	11.16	12.10	13.01	15.52	
Growth	Asset growth rate (%)	5.82	2.92	3.40	4.25	4.61	
Rate	Profitability growth rate (%)	-3.86	-1.17	-15.35	23.90	3.21	
	Cash flow ratio	121.96	162.25	122.20	Note 9	Note 9	
Cash flow	Cash flow adequacy ratio	Note 9	Note 9	Note 9	Note 9	Note 9	
OdSII IIOW	Ratio of cash flow for operating to cash flow from investing	Note 9	Note 9	Note 9	Note 9	Note 9	
Liquid Rese	rves Ratio (%)	25.55	27.14	23.17	20.09	17.42	
Secured Loa	ans to Related Parties	549,874	614,115	613,825	600,101	787,649	
	ans to Related Parties to Total Loans Ratio (%)	0.46	0.52	0.52	0.51	0.70	
	Market share of assets (%)	0.20	0.21	0.22	0.22	0.22	
Operation	Market share of net worth (%)	0.16	0.16	0.17	0.15	0.15	
Scale	Market share of deposits (%)	0.41	0.43	0.44	0.44	0.44	
	Market share of loan (%)	0.42	0.42	0.48	0.49	0.47	

The specify reasons of changes in financial ratios for the latest two years: (If the variation does not reach 20%, the analysis can be omitted.)

- 1. The decrease in profitability growth rate, mainly is because decrease income before tax result in 2019.
- 2. The increase in cash flow ratio, mainly is because the net cash inflow from operating activities result in 2019.
 - * If the company has the establishment individual financial report, should establish the company individual finance ratio analysis in addition.

Note:

- 1. It should be specified if the year without checked visa by CPA auditor.
- 2. If there is recent financial information reviewed by CPA before annual report was printed, the Bank will reveal all information.
- 3. Calculation formula
 - (1) Operating ability
 - (A) Ratio of loans to deposits = Total loans / deposits
 - (B) Ratio of overdue = (Loans Overdue + Other Overdue) / Total Loans
 - (C) Ratio of interest Cost to Annual Average Deposits = interest Cost /Annual Average Deposits
 - (D) Ratio of interest income to Annual Average Loans Outstanding
 - = Interest Income / Annual Average Loans Outstanding
 - (E) Total Assets Turnover = Net Operating Revenue / Total Assets
 - (F) Average Operation Revenue per Employee = Net Operating Revenue / Number of Employees
 - (G) Average Profit per Employee = After-tax Income / Total Number of Employees
 - (2) Profitability
 - (A) Return on Tier I Capital = Pretax Earnings or Losses / Total Average Tier I Capital
 - (B) Return on Assets = Net Income / Average of Total Assets
 - (C) Return on Shareholders' Equity = Net income / Average of Total Shareholders' Equities
 - (D) Ratio of Net Income = Net Income / Total Revenue
 - (E) Earnings per Share = (Net Income Preferred stock Dividend) /Average Weighted Outstanding Stock (Note.5)
 - (3) Financial Structure
 - (A) Ratio of Liabilities to Assets = Liabilities / Total Assets
 - (B) Ratio of Fix Assets to Shareholders' Equity = Fix Assets / Shareholders' Equities
 - (4) Growth Rate
 - (A) Asset Growth Rate = (Total Assets of the Year-Total Assets of Previous Year)/Total Assets of Previous Year
 - (B) Profit Growth Rate=(Pretax Earnings or Losses of the Year-Before-tax Earnings or Losses of Previous Year)/ Pretax Earnings or Losses of Previous Year
 - (5) Cash Flow (Note.8)
 - (A) Ratio of Cash Flow= Net cash flow from business activities /(call loans and overdrafts from banks + commercial paper payable +financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreement + current portion of payables)
 - (B) Ratio of Net Cash Flow Adequacy = Net cash flow from business activities for the past five years/ (capital expenditures + cash dividends) for the past five years
 - (C) Ratio of Cash Flow for operating to cash flow from investing = Net cash flow from business activities/ Net cash flow from investing activities
 - (6) Liquidity Reserves Ratio= Liquid Assets Stipulated by CBC/Reserves Appropriated for various Types of Deposits
 - (7) Operating Scale
 - (A) Market Share of Asset= Total Asset/Total Asset of the major financial institutions (Note.6)
 - (B) Market Share of Net Worth= Net Worth/Total Asset of the major financial institutions
 - (C) Market Share of Deposit= Total Deposit/Total Asset of the major financial institutions
 - (D) Market Share of Loan= Total Loan/Total Asset of the major financial institutions
- 4. Total liabilities do not contain Prepare guarantee responsibility and Accident liability reserve.
- 5. The following shall be noted in the equations of EPS of the preceding paragraph:
 - (1) It is based on weighted average common stock shares instead of the issued stock shares at the end of year.
 - (2) For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
 - (3) For capitalized retained earnings or additional paid-in, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
 - (4) If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
 - (5) If the preferred stock is non-cumulative preferred stock; also, if there is Net income generated, preferred stock dividend is to be deducted from Net income; however, if there is net loss resulted, no adjustment is required.
- 6. Can apply for deposit and loan business: Local banks, Branches of foreign banks in Taiwan, Credit Cooperatives, Agriculture, Fisheries and credit department
- 7. The income means the total interest income and non-interest income.
- 8. The following shall be considered in measuring of cash flow analysis:
 - (1) Net cash flow from operating activities means the net cash inflow from operating activities in the cash flow statement.
 - (2) Capital expenditure means the cash outflow from capital investment per year.
 - (3) Cash dividends include of common and preferred stocks.
 - (4) Gross for real estate and equipment means the total real estate and equipment before deduction of accumulated depreciation.
- 9. Relevant ratio of cash flow is Negative, no disintegration.

Under IFRS Condensed

Unit: TWD thousand; %

	Year (Note.1)		Financial ana	lysis during re	ecent 5 years		Up to
Description	s (Note.3)	2020	2019	2018	2017	2016	(Note 2)
	Loans to deposits ratio (%)	74.84	73.52	78.01	80.83	81.52	
	Overdue loan ratio (%)	0.20	0.44	0.50	0.24	0.22	
	Interest expense to average balance of deposits ratio (%)	0.51	0.65	0.64	0.64	0.70	
Operating Capability	Interest income to average balance of loans ratio (%)	2.43	2.63	2.59	2.59	2.79	
	Total assets turnover (times)	0.02	0.02	0.02	0.02	0.02	
	Average operating revenue per employee	2,483	2,719	2,606	2,551	2,401	
	Average earnings per employee	634	686	679	804	638	
	Return on first capital type assets (%)	6.98	7.79	8.54	11.73	10.78	
D (11-1-1111 -	ROA (%)	0.40	0.45	0.46	0.59	0.48	
Profitability	ROE (%)	5.79	6.71	7.13	9.75	8.64	
	Net income ratio (%)	25.53	25.21	26.05	31.52	26.56	
	EPS (loss)	0.78	0.86	0.93	1.13	1.08	
Financial	Ratio of liabilities to assets	93.01	93.23	93.41	90.58	94.41	
structure	Ratio of fix assets to shareholder's equity	10.11	11.16	12.10	13.01	15.52	
Growth	Asset growth rate (%)	5.82	2.92	3.40	4.24	4.60	
Rate	Profitability growth rate (%)	-3.86	-1.17	-15.35	24.55	3.17	
	Cash flow ratio	121.96	162.25	122.20	Note 9	Note 9	
Cash flow	Cash flow adequacy ratio	Note 9	Note 9	Note 9	Note 9	Note 9	
Odon now	Ratio of cash flow for operating to cash flow from investing	Note 9	Note 9	Note 9	Note 9	Note 9	
Liquid Reser	rves Ratio (%)	25.55	27.14	23.17	20.09	17.42	
Secured Loa	ans to Related Parties	549,874	614,115	613,825	600,101	787,649	
	ans to Related Parties to Total Loans Ratio (%)	0.46	0.52	0.52	0.51	0.70	
<u> </u>	Market share of assets (%)	0.20	0.21	0.21	0.22	0.22	
Operation	Market share of net worth (%)	0.16	0.16	0.18	0.17	0.15	
Scale	Market share of deposits (%)	0.41	0.43	0.44	0.44	0.44	
	Market share of loan (%)	0.42	0.42	0.45	0.48	0.49	

The specify reasons of changes in financial ratios for the latest two years: (If the variation does not reach 20%, the analysis can be omitted.)

Note:

- 1. It should be specified if the year without checked visa by CPA auditor.
- 2. If there is recent financial information reviewed by CPA before annual report was printed, the Bank will reveal all information.
- 3. Calculation formula
 - (1) Operating ability
 - (A) Ratio of loans to deposits = Total loans / deposits
 - (B) Ratio of overdue = (Loans Overdue + Other Overdue) / Total Loans
 - (C) Ratio of interest Cost to Annual Average Deposits = interest Cost /Annual Average Deposits

^{1.} The decrease in overdue loan ratio, mainly is because decrease income before loans overdue and other overdue in 2020.

^{2.} The decrease in profitability growth rate, mainly is because decrease income before tax result in 2020.

^{3.} The decrease in cash flow ratio, mainly is because increase in cash outflow from due to the increase in cash outflow from operations in 2020.

 $^{^{\}star}$ If the company has the establishment individual financial report, should establish the company individual finance ratio analysis in addition.

- (D) Ratio of interest income to Annual Average Loans Outstanding
 - = Interest Income / Annual Average Loans Outstanding
- (E) Total Assets Turnover = Net Operating Revenue / Total Assets
- (F) Average Operation Revenue per Employee (Note.7)= Net Operating Revenue / Number of Employees
- (G) Average Profit per Employee = After-tax Income / Total Number of Employees
- (2) Profitability
 - (A) Return on Tier I Capital = Pretax Earnings or Losses / Total Average Tier I Capital
 - (B) Return on Assets = Net Income / Average of Total Assets
 - (C) Return on Shareholders' Equity = Net income / Average of Total Shareholders' Equities
 - (D) Ratio of Net Income = Net Income / Total Revenue
 - (E) Earnings per Share = (Net Income Preferred stock Dividend) /Average Weighted Outstanding Stock (Note.5)
- (3) Financial Structure
 - (A) Ratio of Liabilities to Assets = Liabilities / Total Assets
 - (B) Ratio of Fix Assets to Shareholders' Equity = Fix Assets / Shareholders' Equities
- (4) Growth Rate
 - (A) Asset Growth Rate = (Total Assets of the Year-Total Assets of Previous Year)/Total Assets of Previous Year
 - (B) Profit Growth Rate=(Pretax Earnings or Losses of the Year-Before-tax Earnings or Losses of Previous Year)/ Pretax Earnings or Losses of Previous Year
- (5) Cash Flow (Note.8)
 - (A) Ratio of Cash Flow= Net cash flow from business activities /(call loans and overdrafts from banks + commercial paper payable +financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreement + current portion of payables)
 - (B) Ratio of Net Cash Flow Adequacy = Net cash flow from business activities for the past five years/ (capital expenditures + cash dividends) for the past five years
 - (C) Ratio of Cash Flow for operating to cash flow from investing = Net cash flow from business activities/ Net cash flow from investing activities
- (6) Liquidity Reserves Ratio= Liquid Assets Stipulated by CBC/Reserves Appropriated for various Types of Deposits
- (7) Operating Scale
 - (A) Market Share of Asset= Total Asset/Total Asset of the major financial institutions (Note.6)
 - (B) Market Share of Net Worth= Net Worth/Total Asset of the major financial institutions
 - (C) Market Share of Deposit= Total Deposit/Total Asset of the major financial institutions
 - (D) Market Share of Loan= Total Loan/Total Asset of the major financial institutions
- 4. Total liabilities do not contain Prepare guarantee responsibility and Accident liability reserve.
- 5. The following shall be noted in the equations of EPS of the preceding paragraph:
 - (1) It is based on weighted average common stock shares instead of the issued stock shares at the end of year.
 - (2) For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
 - (3) For capitalized retained earnings or additional paid-in, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
 - (4) If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
 - (5) If the preferred stock is non-cumulative preferred stock; also, if there is Net income generated, preferred stock dividend is to be deducted from Net income; however, if there is net loss resulted, no adjustment is required.
- 6. Can apply for deposit and loan business: Local banks, Branches of foreign banks in Taiwan, Credit Cooperatives, Agriculture, Fisheries and credit department
- 7. The income means the total interest income and non-interest income.
- 8. The following shall be considered in measuring of cash flow analysis:
 - (1) Net cash flow from operating activities means the net cash inflow from operating activities in the cash flow statement.
 - (2) Capital expenditure means the cash outflow from capital investment per year.
 - (3) Cash dividends include of common and preferred stocks.
 - (4) Gross for real estate and equipment means the total real estate and equipment before deduction of accumulated depreciation.
- 9. Net cash flow from business activities or relevant ratio of cash flow is Negative, no disintegration.

6-2-2. Consolidated Capital Adequacy Ratio under IFRS

Unit: TWD thousand; %

	V(N-4: 4)	Canit	oto 2)	IIn to			
	Year (Note.1)				`		Up to (Note 4)
							(14016 4)
Common eq	uity	12,178,833	11,127,355	10,542,187	9,950,751	8,163,589	
Other non-co Capital	ommon equity of Tier I	600,000	573,954	574,247	-	-	
Tier I Capital		2,754,486	3,066,952	3,435,395	3,112,248	3,379,440	
Net Capital E	Base	15,533,319	14,768,261	14,551,829	13,062,999	062,999 11,543,029	
	Standardized Approach	109,840,309	102,399,255	103,195,398	98,167,383	97,220,080	
Credit Risk	Internal-rating-based Approach	1	1	-	-	-	
	Securitization	9,964	657,622	671,320	-	-	
	Basic Indicator Approach	5,309,738	5,333,786	5,217,355	5,118,685	4,992,342	
Operational Risk	Standardized Approach / Alternative Approach	-	-	-	-	-	
	Advanced Measurement Approach	-	-	-	-	-	
Market	Standardized Approach	3,668,416	3,574,406	3,604,702	4,918,013	9,524,884	
Risk	Internal Model Approach	-	-	-	-	-	
Total Risk-we	eighted Assets	118,828,427	111,965,069	112,688,775	108,204,081	111,737,306	
quacy Ratio		13.07	13.19	12.91	12.07	10.33	
al to Risk Ass	sets Ratio	10.75	10.45	9.86	9.20	7.31	
quity to Risk	Assets Ratio	10.25	9.94	9.36	9.20	7.31	
ate		6.41	6.20	6.00	5.51	4.65	
	Other non-coccapital Tier I Capital Net Capital E Credit Risk Operational Risk Market Risk Total Risk-we quacy Ratio al to Risk Assequity to Risk	Common equity Other non-common equity of Tier I Capital Tier I Capital Net Capital Base Credit Risk Internal-rating-based Approach Securitization Basic Indicator Approach Standardized Approach Standardized Approach Advanced Measurement Approach Market Risk Internal Model Approach Internal Model Approach Internal Model Approach Total Risk-weighted Assets quacy Ratio al to Risk Assets Ratio	Common equity	Common equity	2020 2019 2018	2020 2019 2018 2017	Common equity

Note:

- 1. It should be specified if the year without audited by CPA auditor.
- 2. The definition of Self-Owned Capital, Risk-Weighted Assets and exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Methods for calculation the Self-Owned Capital and Risk-Weighted Assets of Banks.
- 3. Calculation formula:
- (1) Net Capital Base = Common equity + Other non-common equity of Tier I Capital +Tier II Capital
- (2) Total Weighted Risk Asset = Credit Risk Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
- (3) Capital Adequacy Ratio = Net Capital Base / Total Risk Asset
- (4) Ratio of Tier I Capital to Risk Asset = (Common equity + Other non-common equity of Tier I Capital) / Total Risk Asset
- (5) Common equity to Risk Assets Ratio = Common equity / Total Risk Asset
- (6) Leverage rate = Net Tier I Capital / Total risk exposure
- 4. Printed up to the annual report on the other day, the bank like will have most in the near future checks the visa or the nucleus after CPA auditor reads the financial material, should and gives the exposition.
- 5. Release lever ratio from 2015 years exposition.

Entity Capital Adequacy Ratio under IFRS

Unit: TWD thousand; %

		Year (Note.1)	Capita	al Adequacy R	Ratio of Recen	t Five Year (N	ote.2)	Up to
Items			2020	2019	2018	2017	2016	(Note 4)
	Common eq	uity	12,178,833	11,127,355	10,542,187	9,950,751	8,163,589	
Net	Other non-coll Capital	ommon equity of Tier	600,000	573,954	574,247	-	-	
Capital	Tier I Capita	l	2,754,486	3,066,952	3,435,395	3,112,248	3,379,440	
	Net Capital I	Base	15,533,319	14,768,261	14,551,829	9 13,062,999 11,543,		
		Standardized Approach	109,840,309	102,399,255	103,195,398	98,167,383,	97,220,080	
	Credit Risk	Internal-rating-based Approach	-	-	-	-	1	
		Securitization	9,964	657,622	671,320	-	-	
Total Weighted Risk		Basic Indicator Approach	5,309,738	5,333,786	5,217,355	5,118,685	4,992,342	
	Operational Risk	Standardized Approach / Alternative Approach	-	-	-	-	-	
Assets		Advanced Measurement Approach	-	-	-	-	-	
	Market	Standardized Approach	3,668,416	3,574,406	3,604,702	4,918,013	9,524,884	
	Risk	Internal Model Approach	-	-	-	-	-	
	Total Risk-w	eighted Assets	118,828,427	111,965,069	112,688,775	108,204,081	111,737,306	
Capital Ad	equacy Ratio		13.07	13.19	12.91	12.07	10.33	
Tier I Capi	tal to Risk As	sets Ratio	10.75	10.45	9.86	9.20	7.31	
Common e	equity to Risk	Assets Ratio	10.25	9.94	9.36	9.20	7.31	
Leverage i	rate		6.41	6.20	6.00	5.51	4.65	

Note:

- 1. It should be specified if the year without audited by CPA auditor.
- 2. The definition of Self-Owned Capital, Risk-Weighted Assets and exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Methods for calculation the Self-Owned Capital and Risk-Weighted Assets of Banks.
- 3. Calculation formula:
- (1) Net Capital Base = Common equity + Other non-common equity of Tier I Capital +Tier II Capital
- (2) Total Weighted Risk Asset = Credit Risk Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
- (3) Capital Adequacy Ratio = Net Capital Base / Total Risk Asset
- (4) Ratio of Tier I Capital to Risk Asset = (Common equity + Other non-common equity of Tier I Capital) / Total Risk Asset
- (5) Common equity to Risk Assets Ratio = Common equity / Total Risk Asset
- (6) Leverage rate = Net Tier I Capital / Total risk exposure
- 4. Printed up to the annual report on the other day, the bank like will have most in the near future checks the visa or the nucleus after CPA auditor reads the financial material, should and gives the exposition.
- 5. Release lever ratio from 2015 years exposition.

GTA Annual Report 2020

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6-3. Auditing committee Report for Latest Year

COTA Commercial Bank Co., Ltd., Auditing committee Report for Year 2021

March 24, 2021

To: Shareholders' General Meeting of Year 2021

The Business Report, Financial Statement, Consolidated Financial Statement and Earning Distribution of fiscal year 2020, worked out and submitted by COTA Bank board of directors have been duly audited by KPMG Certified Public Accountants, and further verified by us. This Report duly submitted in accordance with Article 219 of the Company Law.

Independent Director: Hong-Chi Chang

Independent Director: Kun-Hsien Lin

Independent Director: Tsung-Ta Kuo

6-4. Consolidated Financial Report of Accountants' Examinations for Latest Year

Independent Auditors' Report

To the Board of Directors of COTA Commercial Bank Co., Ltd.:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, the permit No. 10802731571 as issued by the Financial Supervisory Commission and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Impairment of loan and receivables

Please refer to Note 4(e) "Financial Instrument", Note 5(b) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(g), 6(h), 6(ak)(iii) of the financial statements.

Description of key audit matter:

The Company mainly engages in providing loans to its clients; hence, the recoverability of loans and receivables has a significant influence on its business operation which can result in its exposure to credit risk. Therefore, the valuation of impairment of loans and receivables has been identified as our key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter mentioned above, our principal audit procedures included testing the Company's internal controls on the credit rating of its clients and its supervising procedure; assessing whether the collateral assets and the crediting documents are thoroughly examined; assessing whether the loans and receivables are properly classified based on the status of credit guarantees and the length of time overdue; examining whether the measurement and the assumption the management has adopted to evaluate the expected credit loss of loans and receivables are appropriate; evaluating whether the 12-month ECL and lifetime expected credit loss recognized are reasonable; analyzing the recognized impairment to make sure that it complies with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans".

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Chun-Yuan Wu and Chiu-Hua Hsieh.

KPMG

Taipei, Taiwan (Republic of China) March 24, 2021

Notes to Readers

The accompanying financial statements are intended only to present the statement of 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 financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying 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 financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

COTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

Balance Sheets

			Dala	ב	Dalailce Sileels	o,			
		۵	December 31, 2020 and 2019	7,7	.020 a	ind 2019			
		(Expr	(Expressed in Thousands of New Taiwan Dollars)	ands	of New .	faiwan Dollars)			
	December 31, 2020	020	December 31, 2019	6			December 31, 2020	December 31, 2019	31, 2019
Assets	Amount	%	Amount	%		Liabilities and Equity	Amount %	Amount	%
11000 Cash and cash equivalents (note 6(a))	\$ 1,869,565	-	1,948,237	_	_	Liabilities:			
11500 Due from the Central Bank and call loans to banks (note	11,337,868	9	9,574,833	9	21000	Deposits from Central Bank and other banks (note $6(m)$)	- 37,579	39,201	- 103
6(b) and 8)					21500	Due to the Central Bank and banks (note 6(n))	- 247,840		
12000 Financial assets at fair value through profit or loss (note $6(\mbox{c}))$	3,933,739	7	4,838,859	က	22000	Financial liabilities at fair value through profit or loss (note 6(c))	1,093		- 22
12100 Financial assets at fair value through other	9,112,987	2	9,077,823	2	23000	Payables (note 6(o))	731,785	807,168	- 89
comprehensive income (note 6(d))					23200	Current income tax liabilities	- 88,169	27,797	- 26,
12200 Financial assets at amortized cost (note 6(e) and 8)	18,920,584	Ξ	19,611,071	12	23500	Deposits and remittances (note 6(p) and 7)	162,239,977 91	153,750,583	583 91
12500 Securities purchased under resell agreements (note 6(f))	11,830,509	7	10,317,589	9	24000	Subordinate financial debentures (note 6(q))	3,000,000	3,000,000	000 2
13000 Receivables, net (note 6(g))	334,232	٠	374,098		25600	Provisions (note 6(r) and (t))	193,257	175,081	- 180
13500 Discounts and loans, net (note 6(h) and 7)	119,450,148	99	111,195,714	92	26000	Lease liabilities (note 6(s))	139,810	144,822	322 -
18500 Property and equipment, net (note 6(i))	1,267,641	_	1,278,620	_	29300	Deferred income tax liabilities (note 6(u))	- 111,597	112,450	- 051
18600 Right-of-use assets (note 6(j))	137,224	•	143,019		29500	Other liabilities	421,306	348,137	137
18700 Investment property, net (note 6(k))	1,133,410	_	1,134,559	_		Total liabilities	167,212,413 93	158,405,314	314 93
19000 Intangible assets, net (note 6(l))	121,294	•	111,730		ш	Equity attributable to owners of parent (note 6(v)):			
19300 Deferred income tax assets (note 6(u))	156,038	٠	138,300		31101	Common stock	9,251,037 5	8,406,376	376 5
19500 Other assets (note 6(t))	140,719	•	120,631		31500	Capital reserve	915,148	912,013	113 1
					Ľ	Retained earnings:			
					32001	Statutory reserve	1,522,089	1,297,501	1 100
					32003	Special reserve	- 11,929	Ξ,	- 626,11
					32005	Undistributed earnings	695,961	786,952	250
							2,229,979	2,096,382	382 1
					32500	Other items in stockholders' equity	137,381	44,998	- 866
						Total equity	12,533,545 7	11,459,769	7 69.
Total assets	\$ 179,745,958	100	169,865,083	100	_	Total liabilities and equity	\$ 179,745,958 100	169,865,083	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

COTA COMMERCIAL BANK CO., LTD. Statements of Comprehensive Income For the years ended December 31, 2020 and 2019

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

			2020		2019		Change
			Amount	%	Amount	%	%
41000	Interest income (note 6(y) and 7)	\$	3,346,291	124	3,605,294	122	(7)
51000	Less:Interest expense (note 6(y) and 7)		886,866	33	1,066,598	36	(17)
	Net sales revenue		2,459,425	91	2,538,696	86	(3)
49100	Service fees income, net (note 6(z) and 7)		225,708	8	273,584	9	(17)
49200	Gains and losses on financial assets or liabilities measured at fair value through profit and loss (note 6(c) and (aa))		33,197	1	48,314	2	(31)
49310	Realized gains and losses on financial assets measured at fair value through other comprehensive income (note 6(d) and (ab))		5,678	-	5,358	-	6
49600	Foreign exchange gains (loss), net		(26,722)	(1)	(8,007)	-	(234)
49700	Impairment gain and reversal of impairment loss on assets (note 6(d), (e), (k) and (ac))		323	-	127,092	4	(100)
49800	Other non-interest income, net (note 6(ad))		21,158	1	(15,417)	(1)	237
	Operating revenue, net		2,718,767	100	2,969,620	100	(8)
58200	Provisions for bad debt expenses and guarantee reserve (note $6(g)$, (h) , (r) and (ae))	_	7,637	 -	159,681	5	(95)
58500	Personnel expenses (note 6(af) and (ag))		1,303,861	48	1,333,880	45	(2)
59000	Depreciation and amortization expenses (note 6(ah))		100,113	4	104,721	4	(4)
59500	Other general and administrative expenses (note 6(ai))		452,484	17	482,306	16	(6)
	Total operating expenses		1,856,458	69	1,920,907	65	(3)
61001	Profit from continuing operations before tax		854,672	32	889,032	30	(4)
61003	Less: Income tax expenses (note 6(u))		160,655	6	140,406	5	14
	Profit		694,017	26	748,626	25	(7)
65000	Other comprehensive income:						
65200	Components of other comprehensive income that will not be reclassified to profit or loss						
65201	Gains (losses) on re-measurements of defined benefit plans (note 6(t))		(6,999)	-	43,145	1	(116)
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note $6(v)$)		23,041	-	30,226	1	(24)
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(u))	_	1,400	 -	(8,629)		116
			17,442		64,742	2	(73)
65300	Other components of other comprehensive income that will not be reclassified to profit or loss (note6(v))						
65301	Exchange differences of overseas subsidiaries' financial reports translation		134	-	(1,804)	-	107
65309	Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income		69,208	3	6,371		986
			69,342	3	4,567		1,418
65000	Other comprehensive income		86,784	3	69,309	2	25
	Total comprehensive income	\$	780,801	29	817,935	27	(5)
	Earnings per share (NT dollars) (note 6(x))						
	Basic earnings per share	\$		0.78		0.86	
	Diluted earnings per share	\$		0.78		0.85	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

COTA COMMERCIAL BANK CO., LTD. Statements of Changes in Equity For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Share capital	ospidy-)		Retain	(Expressed in Triodsands of New Tanwall Dollars)	,	Total of	Total other equity interest		
	Ordinary	Capital	Legal	Special	Unappropriated retained	Total retained	Exchange differences on translation of foreign financial etafaments	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive	Total other	Total equity
Balance on January 1, 2019	\$ 8,083,054	911,160	1,071,418	8,161	759,059	1,838,638	655	9,550	10,205	10,843,057
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	•	٠	226,083	٠	(226,083)	•	•	•	٠	•
Special reserve appropriated	•	٠	•	3,768	(3,768)	•	•	•		٠
Cash dividends of ordinary share	•	٠	•	,	(202,076)	(202,076)	•	•		(202,076)
Stock dividends of ordinary share	323,322	٠	•	•	(323,322)	_	•	•	,	
Other changes in capital surplus:					•	•				
Donated capital	•	15	•	٠	•	•	•	•		15
Dividends not received overtime by shareholders	,	838	٠	٠	,	٠	,	,	٠	838
	8,406,376	912,013	1,297,501	11,929	3,810	1,313,240	655	9,550	10,205	10,641,834
Profit for 2019	•	٠	•	٠	748,626	748,626	•		٠	748,626
Other comprehensive income for 2019		٠	•		34,516	34,516	(1,804)	36,597	34,793	69,309
Total comprehensive income	•	•	٠		783,142	783,142	(1,804)	36,597	34,793	817,935
Balance on December 31, 2019	\$ 8,406,376	912,013	1,297,501	11,929	786,952	2,096,382	(1,149)	46,147	44,998	11,459,769
Balance on January 1, 2020	\$ 8,406,376	912,013	1,297,501	11,929	786,952	2,096,382	(1,149)	46,147	44,998	11,459,769
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	•	٠	224,588	•	(224,588)	•	•	•	٠	٠
Cash dividends of ordinary share	•		•	٠	(210,160)	(210,160)	•	•		(210,160)
Stock dividends of ordinary share	344,661	٠	•	•	(344,661)	(344,661)	•	•	•	1
Insurance of common stock for cash	200,000	٠	•	•	1	•	1	1	•	200,000
Other changes in capital surplus:										
Compensation cost of employee stock option certificates	· ·	1,900	•		•	•	•			1,900
Donated capital	•	37	•		•	•	•	1		37
Dividends not received overtime by shareholders	•	1,198	•		•	•	•	•	٠	1,198
	9,251,037	915,148	1,522,089	11,929	7,543	1,541,561	(1,149)	46,147	44,998	11,752,744
Profit for 2020	•	•	•		694,017	694,017	•			694,017
Other comprehensive income for 2020		٠	•	٠	(5,599)	(2,299)	134	92,249	92,383	86,784
Total comprehensive income	•	•	•	•	688,418	688,418	134	92,249	92,383	780,801
Balance at December 31, 2020	\$ 9,251,037	915,148	1,522,089	11,929	695,961	2,229,979	(1,015)	138,396	137,381	12,533,545

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

COTA COMMERCIAL BANK CO., LTD. Statements of Cash Flows For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

(Expressed in Thousands of New Talwait Bollats)		2020	2019
Cash flows from (used in) operating activities:	<u> </u>		
Profit before tax Adjustments:	\$	854,672	899,032
Adjustments to reconcile profit (loss):			
Depreciation expense		96,681	101,722
Amortization expense Provision for bad debt expense		3,432 7,637	2,999 153,681
Interest expense		886,866	1,066,598
Interest income		(3,346,291)	(3,605,294)
Dividend income Net change in other provisions		(6,962) 1,365	(6,887) 44,712
Gain on disposal of property and equipment		1,692	(285)
Property and equipment transferred to expenses		(323)	2,239
Reversal of impairment gain on nonfinancial assets Gain on lease revised		(600)	(129,330)
Compensation cost of employee stock option certificates		1,900′	
Total adjustments to reconcile profit (loss)		(2,354,603)	(2,369,845)
Changes in operating assets and liabilities: Changes in operating assets:			
Increase in due from the Central Bank and call loans to banks		(331,090)	(22,213)
Decrease (increase) in financial assets at fair value through profit or loss		905,120	(3,367,531)
Decrease (increase) in financial assets at fair value through other comprehensive income Decrease (increase) in financial assets at amortized cost		58,029 689,866	(1,546,732) (1,495,228)
Increase in securities purchased under resell agreements		(1,512,920)	(635,748)
Decrease (increase) in receivables		35,634	(4,644)
(Increase) decrease in discounts and loans Decrease in other financial assets		(8,261,796)	3,366,097 36
(Increase) decrease in other assets		(31,243)	35,548
Total changes in operating assets		(8,448,400)	(3,670,415)
Changes in operating liabilities: Decrease in deposits from Central Bank and other banks		(1,622)	(25,269)
Increase (decrease) in financial liabilities at fair value through profit or loss		`1,018	(285)
(Decrease) increase in payable		(45,945)	24,447
Increase in deposits and remittances Increase (decrease) in provisions for employee benefits		8,489,394 1,827	4,147,480 (98,222)
Increase in other liabilities		73,153	25.181
Total changes in operating liabilities		8,517,825	4,073,332
Total changes in operating assets and liabilities Total adjustments		69,425 (2,285,178)	402,917 (1,966,928)
Cash outflow used in operations		(1,430,506)	(1,077,896)
Interest received		3,366,745	3,628,863
Dividends received Interest paid		5,465 (916,304)	5,358 (1,074,080)
Income taxes paid		(117,474)	(150,311)
Net Cash flows from (used in) operating activities		907,926	1,331,934
Cash flows from (used in) investing activities: Acquisition of property and equipment		(33,971)	(18,308)
Proceeds from disposal of property and equipment		` 224′	970
Acquisition of intangible assets Decrease in other assets		(12,996) 2,141	(162) 508
Net cash flows from (used in) investing activities	_	(44,602)	(16,992)
Cash flows from (used in) financing activities:			(***,***=)
Due to the Central Bank and banks Issuance of common stock for cash		247,840 500,000	-
Payment of lease liabilities		(49,100)	(50,364)
Payments to acquire treasury shares		1,198	838
Proceeds from sale of treasury shares Cash dividends paid		37 (210,160)	15 (202,076)
Net cash flows from (used in) financing activities		489,815	(251,587)
Effect of exchange rate changes on cash and cash equivalents		134	(1,804)
Net increase in cash and cash equivalents Cash and cash equivalents at beginning of period		1,353,273 6,539,392	1,061,551 5,477,841
Cash and cash equivalents at end of period	\$	7,892,665	6,539,392
Composition of cash and cash equivalents:	•		
Cash and cash equivalents in the balance sheet Due from the Central Bank and call loans to banks following the definition of cash and cash equivalents	\$	1,869,565	1,948,237
under IAS 7 as accepted by FSC		6,023,100	4,591,155
Cash and cash equivalents at end of period	\$	7,892,665	6,539,392

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

COTA COMMERCIAL BANK CO., LTD. Notes to the Financial Statements For the years ended December 31, 2020 and 2019

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

(1) Company history

COTA COMMERCIAL BANK CO., LTD. ("the Company") was established in 1915 as a credit cooperative bank. Effective January 1, 1999, the Company changed its status to commercial bank and its name to COTA Commercial Bank Co., Ltd. in accordance with the Company Law and the Banking Law. Pursuant to the resolution decided during the shareholders' meeting held on September 17, 2005 and as approved by the regulatory authorities, the Company merged with Fengyuan Credit Cooperative on January 1, 2006. Currently, the Company has 30 domestic branches and one offshore banking unit.

The Company is engaged in:

- Receiving deposits, extending loans, investing in bills and bonds, processing funds remittance, acceptances and guarantees, issuing letters of credit and providing other agency business (except for issuing foreign letters of credit and providing foreign guarantees);
- Buying and selling foreign currencies and traveler's checks;
- Credit card related services;
- Trust and fiduciary services;
- Foreign exchange service as authorized by the Central Bank;
- Commercial banking business related to international trade.

In order to optimize resources, reduce operating costs, and improve efficiency, the Board of Directors approved the merger of the Company and COTA Bank Insurance Brokers Co., Ltd on August 26, 2016, with the Company being the surviving entity and the latter as the dissolved company, having May 1, 2017 as the merger date.

(2) Approval date and procedures of the financial statements:

The Financial Statements were authorized for issuance by the Board of Directors on March 24, 2021.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"



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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform-Phase 2"

(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, 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
Amendments to IAS 1 "Classification of Liabilities as Current or Noncurrent"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or noncurrent.	January 1, 2023
	The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	The amendments clarify that the 'costs of fulfilling a contract' comprises the costs that relate directly to the contract as follows:	January 1, 2022
	• the incremental costs - e.g. direct labor and materials; and	
	 an allocation of other direct costs - e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. 	

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 16 "Property, Plant and Equipment Proceeds before Intended Use"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured a fair value of plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Nonmonetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which recognized in other comprehensive income is an investment in equity securities designated as at fair value through other comprehensive income.

(ii) Foreign operations

Regarding offshore banking unit (OBU), the assets and liabilities reported in functional currencies are translated into New Taiwan Dollars at the exchange rates on reporting date; the income and expenses, excluding in hyperinflationary economic situation, are translated into New Taiwan Dollars at the rate of exchange prevailing on the date of the transaction date. Exchange differences are recognized as other comprehensive income. When the settlement of monetary receivables/payables to OBU is neither planned nor likely to happen in the foreseeable future, gains and losses arising from currency exchange are valued as part of net investment and are recognized as other comprehensive income.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, checks for clearance, checking and demand deposits due from other banks, money deposited in other financial institutions without designated purposes or with unrestricted access and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an



insignificant risk of changes in value. Cash and cash equivalents reported in the statement of cash flows are assets that reported in the statement of financial positions, due from central bank, call loans to bank following the definition of cash and cash equivalents under IAS 7 as accepted by FSC, and securities purchased under resell agreements.

(e) 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 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 asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A. Financial assets measured at amortized cost

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 the assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus, any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by using impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

B. Securities purchased under resell agreements

Securities sold/purchased, with a commitment, are treated as financing transactions, which are recorded at cost. The difference between the cost and the repurchase/resell price is treated as interest expenses/revenue and recognized over the term of the agreement.

C. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, including receivables and loans. At initial recognition, these assets are recognized at fair value, plus, any directly attributable transaction costs Subsequent to initial recognition

Interest income is recognized in profit or loss, and it is included in statement of comprehensive income account.

Loans and receivables shall be transferred to overdue loans account if either of the following situation qualifies:

- Collection of payment of principal or interest accrued is considered highly unlikely; or
- Payment of principal or interest accrued is over 3 or 6 months past due; or

According to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming and Nonaccrual Loans", nonperforming loans with interest accrued shall be transferred to overdue loans after 6-month-additional extension of overdue payment. However, the reclassification does not apply to those of agreed installment payments, consultative consumer credit, and cases executed by the "Statute for Consumer Debt Clearance".

Reclassified overdue loans are assorted into discounts and loans, while other overdue receivables reclassified from guarantees, acceptances, factoring accounts receivable, and receivables-other credit card, are classified as other financial assets.

Outstanding balances of overdue loans' unrecoverable parts are written-off under approval of Board of Directors.

2) Fair value through other comprehensive income (FVOCI)

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

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

On initial recognition of an equity investment that is not held for trading, the Company 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 de-recognition, 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's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets.

On initial recognition, the Company 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) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:



- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default

occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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 months 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 is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment, as well as forward looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

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 in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than a year past due:
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganizationL;or
- the disappearance of an active market for a security because of financial difficulties.

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 charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially

all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

(ii) Derivative financial instruments and hedge accounting

The Company holds 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.

(f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(g) Property, plant, and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost 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) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 5 years ~ 80 years
- 2) Machinery equipment: 1 year ~ 20 years



- 3) Transportation equipment: 4 years ~ 10 years
- 4) Miscellaneous equipment: 3 year ~ 50 years
- 5) The significant portion of buildings and their useful life are as follow:

Item	useful life
Buildings	
Main building	60 years ~ 80 years
Premises Renovation	5 years

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

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(h) Lease

(i) Identifying a lease

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

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

(ii) As a lease

The Company recognizes 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 re-measurements 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's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) 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 re-measured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) 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
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modification

When the lease liability is re-measured, 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 re-measured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the re-measurement 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 presents 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 has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets for the location of ATM. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(i) Intangible assets

(i) Computer software

Computer software system expenses, which are recorded based on the cost of acquisition less accumulated depreciation and accumulated impairment, are amortized using a straight-line method over a period of 1 to 10 years. The amortization is recognized in profit or loss.

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

(ii) Goodwill

Goodwill derives from enterprise acquisition is included in intangible assets.

Goodwill is measured at cost less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms part of the carrying amount of such investment.



(j) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

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

(k) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and an outflow of economic benefits is possibly required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(I) Financial guarantee contract

The Company recognized financial guarantee liabilities initially at their fair value at the date of providing guarantee. The Company receives commission income with arm's-length transaction at contract date; this is the income could represent the fair value of financial guarantee contract. The advanced service fee is recognized as deferred item and amortized by straight-line method over the contract period of the financial guarantee.

(m) Revenue recognition

Interest revenue arised from credits is estimated on an accrual basis. All interest accrued shall be suspended from the date the loans are classified as nonperforming loans. Interest earned from nonperforming loans shall be recognized as interest income when the interest has been collected by the Company. If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

Service fee income is recognized when collected or when the majority of project is completed. Service fee income is received when loans and receivables are recognized. The service fee incomes which are caused by loans or receivables shall be recognized as interest revenue when they meet a suggested policy announced by the Bankers Association of the Republic of China. This policy requires an individual loan that meets the materiality criteria to have its effective interest rate be consistent with its interest revenue. Overall, the service fees shall be adjusted from the original agreed interest rate to the effective interest rate.

Rental income of a property is incurred during the 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.

(n) Employee benefits

(i) Short-term employee benefit

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Post-employment benefit: The Company's pension plan comprises defined contribution plan and defined benefit plan.

1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which the related service is provided by employees.

2) Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The Company's defined benefit pension plan follows the Labor Standards Act. Pension payments to employees are calculated based on years of service and average salary upon retirement. The Company will make monthly contributions to the employees' pension accounts, which are managed by the Employee Pension Fund Committee, and the contributions are deposited in the employees' pension accounts with Bank of Taiwan. The pension fund for management is contributed 8% of salaries to individual pension accounts monthly.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Deposits with favorable rate

The Company provides deposits with favorable rate to employees, which include fix amount deposits with favorable rate for current employees and post-employment fix amount deposits with favorable rate for retired and current employees. The rate difference between the favorable rate and the market rate is considered employee benefit.

According to article 30 of "Regulations Governing the Preparation of Financial Report by Public Banks", the additional interests resulted from the difference between deposit with favorable rate and the deposits with market interest rate need actuary per the regulations related to defined benefit plan in IAS 19. The parameters of actuarial assumptions should obey the competent authority if any regulation is applicable.

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized



as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(p) Income taxes

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

Current taxes comprise the expected tax payables or receivables on taxable profits (losses) for the year and any adjustments to the tax payable or receivable in respect of previous year. The amount of current tax payable or receivables are the best estimate of the tax amount expected to the paid or received.

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 recognized except for the following:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

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.

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

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred 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.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share (EPS)

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares.

(r) Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. The Company's chief operating decision maker is the Board of Directors.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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

(a) Impairment loss on loans and receivables

When the Company decide whether to recognize impairment loss, they mainly assess if there are any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status, or sovereign or local economic situation related to debt payment in arrears. When analyzing expected cash flow, the estimates by the management are based on past losses experience on assets of similar credit risk characteristics. The Company quarterly reviews methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected and actual loss. Please refer to Note 6(ak) for impairment loss on loans.

(b) Measurement of defined benefit obligations

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.



(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 1,474,982	1,530,296
Checks for clearance	147,248	172,301
Deposits from other banks	247,335	245,640
	\$ 1,869,565	1,948,237

The cash and cash equivalents presented in the statement of cash flows had the following components, please refer to note 6(b).

	De	ecember 31, 2020	December 31, 2019
Cash and cash equivalents in the statement of financial position	\$	1,869,565	1,948,237
Due from the Central Bank and call loans to banks following the definition of cash and cash equivalents under IAS 7 as accepted by FSC		6,023,100	4,591,155
Cash and cash equivalents reported in the statement of cash flows	\$	7,892,665	6,539,392

(b) Due from the Central Bank and call loans to banks

	 ecember 31, 2020	December 31, 2019
Deposit reserve - checking accounts	\$ 3,466,516	2,617,395
Deposit reserve - demand accounts	4,724,771	4,498,196
Deposit reserve - foreign currency deposits	5,702	4,215
Call loans to banks	2,556,584	1,973,760
Deposits with Financial Information Service Co., Ltd.	 584,295	481,267
	\$ 11,337,868	9,574,833

The reserves for deposits are calculated at prescribed rates, using the average monthly balances of various deposit accounts, and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposits reserve-demand accounts cannot be withdrawn except for the monthly adjustment to the required reserve permitted by relevant regulations.

Please refer to note (8) for information regarding the restrictions on part of the deposit reserve shown above.

Due from Central Bank and call loans to bank following the definition of cash and cash equivalents under IAS 7 as accepted by FSC are as follows:

	December 31, 2020		December 31, 2019
Call loans to banks	\$	2,556,584	1,973,760
Deposit reserve - checking accounts		3,466,516	2,617,395
	\$	6,023,100	4,591,155

(c) Financial assets (liabilities) at fair value through profit or loss

	December 31, 2020	December 31, 2019
Financial assets		
Securities of listed companies	\$ 34,751	50,704
Beneficiary certificates	76,935	60,894
Short-term bills	2,859,494	4,020,631
Convertible bonds	955,662	699,968
Derivatives	6,897	6,662
	\$ 3,933,739	4,838,859
	December 31, 2020	December 31, 2019
Financial liabilities at fair value through profit or loss		
Derivatives	\$ 1,093	75

The Company engages in derivative transactions to mitigate exchange rate risks and interest rate risks. The Company's financial hedging policy is to minimize its market price or cash flow exposures.

The nominal amount information of outstanding derivative contracts as of December 31, 2020 and 2019 was as follows:

	December 31, 2020	December 31, 2019
ntracts	\$ 114,032	597,313

The net gains on financial assets at fair value through profit or loss for the years ended December 31, 2020 and 2019, were \$34,214 thousand and \$48,030 thousand, respectively. The net (losses) gains on financial liabilities at fair value through profit or loss for the years ended December 31, 2020 and 2019, were \$(1,017) thousand and \$284 thousand, respectively.

(d) Financial assets at fair value through other comprehensive income

	2020	2019
Debt investments at fair value through other comprehensive income:		
Corporate bonds	\$ 8,956,709	8,944,586
Equity investments at fair value through other comprehensive income:		
Domestic unlisted stock	156,278	133,237
Total	<u>\$ 9,112,987</u>	9,077,823

December 31

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

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

For the gain or loss arising from the disposal of investment, please refer to note 6(ab).

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

The Company 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 intends to hold for long-term strategic purposes.

(Continued)

December 31



During the years ended December 31, 2020 and 2019, the dividends of \$5,465 thousand and \$5,358 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments of December 31, 2020 and 2019.

- (iii) For credit risk (including the impairment of debt investments) and market risk, please refer to note 6(ak).
- (iv) The financial assets of the Company had not been pledged as collateral.
- (v) The movement in the allowance for debt investments at fair value through other comprehensive income was as follows:

	 2020	2019
Balance on January 1 per IFRS 9	\$ 3,300	1,997
Provision (reversal) during the period	 (944)	1,303
Balance on December 31	\$ 2,356	3,300

(e) Financial assets measured at amortized cost

	 December 31, December 2020 2019	
Government bonds	\$ 994,274	1,001,569
Corporate bonds	2,384,142	2,059,050
Negotiable certificates of deposits	15,380,000	16,380,000
Financial bonds	170,410	178,479
Deposits from other banks	 1,000	1,000
Subtotal	18,929,826	19,620,098
Less: the allowance for impairment loss	 (9,242)	(9,027)
Total	\$ 18,920,584	19,611,071

- (i) The Company has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.
- (ii) For credit risk, please refer to note 6(ak).
- (iii) As of December 31, 2020 and 2019, the government bonds had been pledged as collateral. Please refer to note (8).
- (iv) The movement in the allowance for financial assets measured at amortized cost was as follows:

		2013
Balance on January 1 per IFRS 9	\$ 9,027	8,250
Provision during the period	621	935
Effect of exchange rate changes	(406)	(158)
Balance on December 31	\$ 9,242	9,027

(Continued)

2010

2020

(f) Securities purchased under resell agreements

Securities purchased under resell agreements, and their sold back amounts, using determined price were as follow:

	December 31, 2020								
ltem	Bond book value	Resell agreement	Resell price	Resell price					
Commercial papers	\$ 9,072,500	9,065,626	9,066,225	Resell gradually before 2021.01.18					
Corporate bonds	1,992,000	2,002,944	2,002,998	Resell gradually before 2021.01.14					
Government bonds	760,900	761,939	761,991	Resell gradually before 2021.01.11					
	<u>\$ 11,825,400</u>	11,830,509	11,831,214						

Item	Bor	nd book value	Resell agreement	Resell price	Resell price
Commercial papers	\$	7,421,000	7,412,760	7,414,043	Resell gradually before 2020.01.09
Corporate bonds		1,957,000	1,960,287	1,960,741	Resell gradually before 2020.01.07
Government bonds		941,000	944,542	944,898	Resell gradually before 2020.01.13
	\$	10,319,000	10,317,589	10,319,682	

(g) Receivables, net

	December 31, 2020	December 31, 2019
Credit card accounts receivable	\$ 130,292	145,566
Interest receivable	199,174	219,628
Accrued income	9,321	13,743
Acceptances receivable	3,338	1,441
Dividends receivable	2	-
Guarantee payments receivable	5,664	10,050
Others	38,771	32,930
Subtotal	386,562	423,358
Less: allowance for doubtful accounts	(52,330)	(49,260)
	<u>\$ 334,232</u>	374,098

The movement in the allowance for receivables during the year ended December 31, 2020 was as follows:

	12-month	Lifetime ECL-group	Lifetime ECL-individual	Lifetime ECL- not new financial assets acquired or credit-impaired	Lifetime ECL- new financial assets acquired or credit-impaired	expected credit loss accordance with IFRS9	Difference of impairment loss in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal	Total
Balance on January 1	\$ 889	2,978	-	4,255	-	8,122	41,138	49,260
Reconciliation arising from financial instruments recognized at the beginning of the year:								
-Transfer to lifetime ECL	(6)	16	-	(8)	-	-		-
-Transfer to credit-impaired financial assets	(27)	(106)	-	133	-	-		-
-Transfer to 12-month ECL	43	(19)	-	(24)	-	-		-
- Financial assets repaid	(161)	(1,839)	-	(383)	-	(2,383)		(2,383)
New financial assets acquired	178	8	-	25	-	211		211
Difference of impairment in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal							5,483	5,483
Bad debts	(980)	(164)	-	(338)	-	(1,482)	(1,774)	(3,256)
Recovered bad debts	52	22		4,014	-	4,088	2,005	6,093
Foreign exchange gains (losses) and others	<u>796</u>	224		(4,098)		(3,078)		(3,078)
Balance on December 31	\$784	1,120		3,576		5,478	46,852	52,330

The movement in the allowance for receivables during the year ended December 31, 2019 was as follows:

	12-mc EC		Lifetime ECL-group	Lifetime ECL-individual	Lifetime ECL- not new financial assets acquired or credit-impaired	Lifetime ECL- new financial assets acquired or credit-impaired	expected credit loss accordance with IFRS9	Difference of impairment loss in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal	Total
Balance on January 1	\$ 1	,329	3,144	-	5,534	-	10,007	35,601	45,608
Reconciliation arising from financial instruments recognized at the beginning of the year:									
-Transfer to lifetime ECL		(29)	44	-	(15)	-	-		-
-Transfer to credit-impaired financial assets		(24)	(85)	-	109	-	-		-
-Transfer to 12-month ECL		50	(46)	-	(3)	-	1		1
- Financial assets repaid		(388)	(172)	-	(582)	-	(1,142)		(1,142)
New financial assets acquired		206	6	-	34	-	246		246
Difference of impairment in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal								6,294	6,294
Bad debts		(892)	(100)	-	(558)	-	(1,550)	(1,101)	(2,651)
Recovered bad debts		12	7	-	4,521	-	4,540	344	4,884
Foreign exchange gains (losses) and others		625	180		(4,785)		(3,980)		(3,980)
Balance on December 31	\$	889	2,978		4,255		8,122	41,138	49,260

(h) Discounts and loans, net

	December 31, 2020	December 31, 2019
Overdrafts	\$ 14,856	31,517
Short-term loans	10,826,359	10,735,534
Medium-term loans	78,097,795	74,223,588
Long-term loans	32,297,911	27,597,748
Overdue loans	177,386	456,257
Subtotal	121,414,307	113,044,644
Less: allowance for bad debts	(1,711,717)	(1,593,172)
adjustment of discount and premium	(252,442)	(255,758)
	<u>\$ 119,450,148</u>	111,195,714



The movement in the allowance for discounts and loans during the year ended December 31, 2020 was as follows:

	12-month ECL	Lifetime ECL-group	Lifetime ECL-individual	Lifetime ECL- not new financial assets acquired or credit-impaired	Lifetime ECL- new financial assets acquired or credit-impaired	expected credit loss accordance with IFRS9	Difference of impairment loss in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal	Total
Balance on January 1	\$ 187,277	29,741	-	390,529	-	607,547	985,625	1,593,172
Reconciliation arising from financial instruments recognized at the beginning of the year:								
-Transfer to lifetime ECL	(1,211)	2,580	-	(1,369)	-	-	-	-
-Transfer to credit-impaired financial assets	(3,327)	(16,797)	-	20,124	-	-	-	-
-Transfer to 12-month ECL	10,082	(393)	-	(9,689)	-	-	-	-
- Financial assets repaid	(75,923)	(9,127)	-	(96,938)	-	(181,988)	-	(181,988)
New financial assets acquired	118,894	999	-	7,236	-	127,129	-	127,129
Difference of impairment in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal							23,850	23,850
Bad debts	-	-	-	-	-	-	(380,025)	(380,025)
Recovered bad debts	-	-	-		-	-	506,687	506,687
Foreign exchange gains (losses) and others	_(33,574)	8,966		47,500		22,892	<u> </u>	22,892
Balance on December 31	\$ <u>202,218</u>	15,969		357,393		575,580	1,136,137	1,711,717

The movement in the allowance for discounts and loans during the year ended December 31, 2019 was as follows:

	12-month	Lifetime ECL-group	Lifetime ECL-individual	Lifetime ECL- not new financial assets acquired or credit-impaired	Lifetime ECL- new financial assets acquired or credit-impaired	expected credit loss accordance with IFRS9	Difference of impairment loss in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal	Total
Balance on January 1	\$ 243,299	67,117	-	386,721	-	697,137	1,018,539	1,715,676
Reconciliation arising from financial instruments recognized at the beginning of the year:								
-Transfer to lifetime ECL	(1,008)	5,585	-	(4,577)	-	-	-	-
-Transfer to credit-impaired financial assets	(10,673)	(9,626)	-	20,299	-	-	-	-
-Transfer to 12-month ECL	3,882	(1,908)	-	(1,974)	-	-	-	-
- Financial assets repaid	(112,720)	(52,613)	-	(96,115)	-	(261,448)	-	(261,448)
New financial assets acquired	101,945	366	-	10,841	-	113,152	-	113,152
Difference of impairment in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal							241,664	241,664
Bad debts	-	-	-	-	-	-	(494,042)	(494,042)
Recovered bad debts	-	-	-	-	-	-	219,464	219,464
Foreign exchange gains (losses) and others	(37,448)	20,820	-	75,334		58,706	-	58,706
Balance on December 31	\$ <u>187,277</u>	29,741		390,529		607,547	985,625	1,593,172

(i) Property and equipment, net

The cost, depreciation, and impairment of the property and equipment of the Company were as follows:

	Land	Buildings	Machinery equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Total
Cost:							
Balance at January 1, 2020	\$ 815,829	629,421	154,741	35,448	211,741	96,756	1,943,936
Additions	-	-	14,283	677	8,518	10,493	33,971
Disposals	-	-	(24,942)	(599)	(722)	(7,607)	(33,870)
Reclassification			2,015				2,015
Balance at December 31, 2020	\$ <u>815,829</u>	629,421	146,097	35,526	219,537	99,642	1,946,052
Balance at January 1, 2019	\$ 815,829	633,217	149,371	35,180	210,443	95,941	1,939,981
Additions	-	-	9,954	2,713	4,826	815	18,308
Disposals	-	-	(4,584)	(2,445)	(3,528)	-	(10,557)
Reclassification		(3,796)					(3,796)
Balance at December 31, 2019	\$ <u>815,829</u>	629,421	154,741	35,448	211,741	96,756	1,943,936
Depreciation and impairment losses:							
Balance at January 1, 2020	\$ -	(295,642)	(110,119)	(19,063)	(173,982)	(66,510)	(665,316)



Depreciation for the period	-	(12,007)	(11,712)	(3,542)	(9,389)	(8,399)	(45,049)
Disposals			24,942	494	722	5,796	31,954
Balance at December 31, 2020	\$	(307,649)	(96,889)	(22,111)	(182,649)	(69,113)	<u>(678,411</u>)
Balance at January 1, 2019	\$ -	(285,237)	(100,803)	(17,176)	(167,828)	(57,457)	(628,501)
Depreciation for the period	-	(12,150)	(13,888)	(3,659)	(9,682)	(9,053)	(48,432)
Disposals	-	-	4,572	1,772	3,528	-	9,872
Reclassification		1,745					1,745
Balance at December 31, 2019	\$	(295,642)	<u>(110,119</u>)	(19,063)	(173,982)	(66,510)	(665,316)
Carrying amounts:							
Balance at December 31, 2020	\$ <u>815,829</u>	321,772	49,208	13,415	36,888	30,529	1,267,641
Balance at January 1, 2019	\$ <u>815,829</u>	347,980	48,568	18,004	42,615	38,484	1,311,480
Balance at December 31, 2019	\$ <u>815,829</u>	333,779	44,622	16,385	37,759	30,246	1,278,620

No property and equipment was pledged as collateral.

(j) Right-of-use assets

The Company leases many assets including land and buildings, transportation equipment and ATM Placement. Information about leases for which the Company as a lessee was presented below:

	Land	Buildings	Transportation equipment	Superficies	Total
Cost:					
Balance at January 1, 2020	\$ 106	182,282	2,337	3,550	188,275
Additions	_	50,594	-	2,033	52,627
Disposal	(106)	(18,820)	(2,337)	(341)	(21,604)
Balance at December 31, 2020	<u>\$ -</u>	214,056		5,242	219,298
Balance at January 1, 2019	\$ 18	140,593	2,337	3,550	146,498
Additions	106	48,582	-	-	48,688
Disposal	(18)	(6,893)			(6,911)
Balance at December 31, 2019	<u>\$ 106</u>	182,282	2,337	3,550	188,275
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	\$ (36)	(42,690)	(1,402)	(1,128)	(45,256)
Depreciation for the year	(8)	(48,326)	(935)	(1,214)	(50,483)
Disposal	44	10,943	2,337	340	13,664
Balance at December 31, 2020	<u> </u>	(80,073)		(2,002)	(82,075)
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation for the year	(54)	(49,583)	(1,402)	(1,128)	(52,167)
Disposal	18	6,893			6,911
Balance at December 31, 2019	<u>\$ (36)</u>	(42,690)	(1,402)	(1,128)	(45,256)
Carrying amount:					
Balance at December 31, 2020	<u> </u>	133,983		3,242	137,224
Balance at January 1, 2019	<u>\$ 18</u>	140,593	2,337	3,550	146,498
Balance at December 31, 2019	<u>\$ 70</u>	139,592	935	2,422	143,019

(k) Investment property, net

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Company. The leases of investment properties contain an initial non-cancellable lease term of three to eight years, the rental income is fixed under the contracts.

	Land	Buildings	Total
Cost:			
Balance at December 31, 2020 (Balance at January 1, 2020)	\$ 1,106,520	69,277	1,175,797
Balance at January 1, 2019	\$ 1,106,520	65,481	1,172,001
Reclassify from PPE		3,796	3,796
Balance at December 31, 2019	<u>\$ 1,106,520</u>	69,277	1,175,797
Depreciation and impairment losses:			
Balance at January 1, 2020	\$ (1,765)	(39,473)	(41,238)
Depreciation for the period		(1,149)	(1,149)
Balance at December 31, 2020	<u>\$ (1,765)</u>	(40,622)	(42,387)
Balance at January 1, 2019	\$ (131,095)	(36,605)	(167,700)
Depreciation for the period	-	(1,123)	(1,123)
Reclassify from PPE	-	(1,745)	(1,745)
Reclassification	129,330		129,330
Balance at December 31, 2019	<u>\$ (1,765)</u>	(39,473)	(41,238)
Carrying amounts:			
Balance at December 31, 2020	\$ 1,104,755	28,655	1,133,410
Balance at January 1, 2019	\$ 975,425	28,876	1,004,301
Balance at December 31, 2019	\$ 1,104,755	29,804	1,134,559

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of one to five years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an internal or independent external value who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value of investment property as of December 31, 2020 and 2019 are \$1,297,888 thousand and \$1,297,151 thousand, respectively.

Based on the results of the Company's assessment, a \$129,330 thousand reversal gain of impairment loss on investment property is recognized for the year ended December 31, 2019.

Related rent revenue and direct operating expenses are as below:

	2020	2019
Rent revenue	\$ 20,161	20,574
Direct operating expenses	\$ 1,149	1,123

No investment property was pledged as collateral.



(I) Intangible assets

The costs of intangible assets, amortization, and the impairment loss of the Company as of and for the years ended December 31, 2020 and 2019, were as follows:

	Goodwill		Software	Total
Cost:				
Balance at January 1, 2020	\$	154,027	18,134	172,161
Additions		-	12,996	12,996
Decreases		<u> </u>	(807)	(807)
Balance at December 31, 2020	\$	154,027	30,323	184,350
Balance at January 1, 2019	\$	154,027	20,984	175,011
Additions		-	162	162
Decreases		<u> </u>	(3,012)	(3,012)
Balance at December 31, 2019	\$	154,027	18,134	172,161
Amortization:				
Balance at January 1, 2020	\$	51,738	8,693	60,431
Amortization for the period		-	3,432	3,432
Decreases		<u> </u>	(807)	(807)
Balance at December 31, 2020	\$	51,738	11,318	63,056
Balance at January 1, 2019	\$	51,738	8,706	60,444
Amortization for the period		-	2,999	2,999
Decreases		<u> </u>	(3,012)	(3,012)
Balance at December 31, 2019	\$	51,738	8,693	60,431
Carrying amounts:				
Balance at December 31, 2020	\$	102,289	19,005	121,294
Balance at January 1, 2019	\$	102,289	12,278	114,567
Balance at December 31, 2019	<u>\$</u>	102,289	9,441	111,730

Goodwill represents the excess of consideration over the net fair value of acquired tangible assets, identifiable intangible assets and liabilities in the acquisition of Fengyuan Credit Cooperative on January 1, 2006.

Fengyuan Credit Cooperative's original business and goodwill are identified as one cash-generating unit (CGV) in impairment test. The recoverable value of the CGU is based on the key assumptions such as operating revenues, operating costs, operating expenses and discount rate.

The Company's goodwill has been tested for impairment, where the recoverable amount is determined based on the value in use. The accumulated goodwill impairment loss amounted to \$51,738 thousand.

No intangible assets were pledged as collateral.

(m) Deposits from Central Bank and other banks

Postal deposits accepted Call loans to banks

Dec	cember 31, 2020	December 31, 2019
\$	25,670	25,670
	11,909	13,531
\$	37,579	39,201

(n) Due to the Central Bank and banks

	2020.12.31						
	CurrencyInterest R		Period		Amount		
Central Bank	NTD	0.25%	2020.4.1~2021.3.27	\$	247,840		

As of December 31, 2020, the Company applied for the loans from the Central Bank for providing loans to small and medium enterprises affected by Covid-19 pandemic.

(o) Payables

	December 31, 2020	December 31, 2019
Interest payable	\$ 111,0	50 137,137
Tax payable	29,6	31,742
Collections payable	52,3	55 47,886
Accrued expenses	333,7	359,285
Checks for clearance	147,24	172,301
Others	57,72	20 58,817
	\$ 731,78	807,168

(p) Deposits and remittances

	2020	2019
Checking accounts	\$ 1,998,472	1,898,444
Cashiers' checks	508,152	369,745
Demand deposits	26,249,602	22,112,409
Time deposits	31,240,664	32,958,825
Demand savings deposits	45,354,140	40,326,755
Term savings deposits	56,878,976	56,080,486
Remittances outstanding	9,971	3,919
	<u>\$ 162,239,977</u>	153,750,583

December 31,

December 31,

(q) Subordinate financial debentures

	_	December 31, 2020	December 31, 2019	
Subordinate financial debentures:				
107-2	\$	600,000	600,000	
107-1		600,000	600,000	
105-1	_	1,800,000	1,800,000	
	\$	3,000,000	3,000,000	

(i) In order to increase the capital adequacy and raise medium-term and long-term operating funds, the Board of Directors of the Company resolved to issue subordinate financial debentures in a total amount of \$600,000 thousand on November 9, 2017, which was approved by the regulation authorities on August 31, 2018. The Company issued these debentures on December 12, 2018, and the subscription was completed during the year.



The details were as follows:

1) Issue price: At face value.

2) Issue period: From December 12, 2018 to December 12, 2025.

3) Interest rate: For 107-2A, 1.95%.

4) Interest accrual: Annually accrued and paid since the issued date.

5) Repayment of principal: Outright repayment of principal at maturity.

(ii) In order to increase the capital adequacy and raise medium-term and long-term operating funds, the Board of Directors of the Company resolved to issue subordinate financial debentures in a total amount of \$600,000 thousand on November 9, 2017, which was approved by the regulation authorities on March 5, 2018. The Company issued these debentures on June 21, 2018, and the subscription was completed during the year.

The details were as follows:

- 1) Issue price: At face value.
- 2) Issue period: From June 21, 2018 to Null.
- 3) Interest rate: For 107-1A, 3.06%, based on the Company's term deposits regular rate plus 1.65%.
- 4) Interest accrual: Annually accrued and paid since the issued date.
- 5) Repayment of principal: After the expiration of 5 years after the issuance of this bond, if the ratio of the Company's own capital to the risky assets after the redemption is calculated meets the minimum ratio requirements set by the competent authority, the Company may redeem it with the consent of the competent authority; Announcement on the 30th day of the redemption date, the interest payable plus the denomination, and all redemption.
- (iii) In order to increase the capital adequacy and raise medium-term and long-term operating funds, the Board of Directors of the Company resolved to issue subordinate financial debentures in a total amount of \$1,800,000 thousand on June 23, 2016, which was approved by the regulation authorities on September 5, 2016. The Company issued these debentures on November 16, 2016, and the subscription was completed during the year.

The details were as follows:

1) Issue price: At face value.

2) Issue period: From November 16, 2016 to November 16, 2023.

3) Interest rate: For 105-1A, 2.1%.

4) Interest accrual: Annually accrued and paid since the issued date.

5) Repayment of principal: Outright repayment of principal at maturity.

(r) Provisions

Provisions for guarantees
Provisions of loan commitments
Provisions for other
Provisions for employee benefits
Provisions for other operations

	December 31, 2020	December 31, 2019
\$	39,489	39,505
	44,500	29,500
	5,000	5,000
	64,191	62,364
_	40,077	38,712
\$	193,257	175,081

Provisions were as follows:

	Ja	nuary 1, 2020	Current increase	Current reclassify	Exchange rate differences	December 31, 2020
Provisions for guarantees	\$	39,505	-	-	(16)	39,489
Provisions of loan commitments		29,500	-	15,000	-	44,500
Provisions for other		5,000	-	-	-	5,000
Provisions for other operation (Note 9(b))		38,712	1,365	-	-	40,077

	Ja	nuary 1, 2019	Current increase	Current reclassify	Exchange rate differences	December 31, 2019
Provisions for guarantees	\$	39,511	-	-	(6)	39,505
Provisions of loan commitments		23,500	6,000	-	-	29,500
Provisions for other		5,000	-	-	-	5,000
Provisions for other operation (Note 9(b))		-	38,712	-	-	38,712

Provisions for employee benefits please refer to Note 6 (t).

(s) Lease Liabilities

The Company's lease liabilities was as follows:

	_	December 31, 2020	December 31, 2019
Less than one year	\$	45,270	42,596
More than one year	_	94,540	102,226
	\$	139,810	144,822

For the maturity analyses, please refer to note 6 (aj).

The amounts recognized in profit or loss was as follows:

	 2020	2019
Interest on lease liabilities	\$ 3,352	3,114
Expenses relating to leases of low-value assets	\$ 4,854	5,375

The amounts recognized in the statement of cash flows for the Company was as follows:

	2020	2019
Total cash outflow for leases (Including payment of lease liabilities,		
interest paid, and the amounts recognized above in profit or loss)	<u>\$ 57,306</u>	58,853

(i) Real estate leases

The Company leases land and buildings for its office space. The leases of office space typically run for five to seven years.

(ii) Other leases

The Company leases vehicles and equipment, with lease terms of three years. The leases term of superficies right is five years, and some cases are lease liabilities for leases of low-value assets. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.



(t) Employee benefits

(i) Defined benefit plans:

The reconciliation in the present value of defined benefit obligations and fair value of plan assets as follows:

	 ecember 31, 2020	December 31, 2019
Total present value of obligations	\$ 1,078,528	1,059,605
Fair value of plan assets	 (1,121,597)	(1,076,061)
Recognized assets for defined benefit obligations (Other assets)	\$ (43,069)	(16,456)

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and the average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Company's employee retirement benefits are based on the policy of the labor dismission and the implementation rules of the labor pension. The actual retirement pension entitlement of employees is calculated by applying the above two methods in stages according to their periods of service, and the payment base is determined according to the number of years in service, and the amount is determined by the hourly retirement salary.

According to the Labor Standards Law, the Company provides labor retirement reserves to 15% of the total monthly salary of employees (except for appointed managers) to the pension fund account in the Bank of Taiwan to meet the needs of employee pensions. In addition, to support the pension of the appointed managers, a special bank account is set up, which is paid monthly based on 8% of the total salary of the appointed managers.

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$1,121,597 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Change in present value of defined benefit obligations

The change in present value of defined benefit obligations were as follows:

	 2020	2019
Defined benefit obligation at January 1	\$ 1,059,605	1,060,099
Current service costs and interest	29,929	31,721
Re-measurements of the net defined benefit liability (asset) - Actuarial loss (gain) arising from financial assumptions	38,571	(11,401)
Benefits paid by the plan assets	 (49,577)	(20,814)
Defined benefit obligation at December 31	\$ 1,078,528	1,059,605

3) Change in fair value of defined benefit plan assets

The change in the fair value of defined benefit plan assets is as follows:

	 2020	2019
Fair value of plan assets at January 1	\$ 1,076,061	934,726
Interest income	10,791	10,564
Re-measurements of the net defined benefit liability (asset)		
- Return on plan assets excluding interest income	31,572	31,745
Benefits paid by the plan assets	52,750	119,840
Contributions made	 (49,577)	(20,814)
Fair value of plan assets at December 31	\$ 1,121,597	1,076,061

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss are as follows:

	 2020	2019
Current service costs	\$ 19,567	20,041
Net Interest on the net defined benefit liability (asset)	 (429)	1,116
	\$ 19,138	21,157
Administrative expenses	\$ 19,138	21,157
Actual return on assets	\$ 42,363	42,309

5) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income were as follows:

	 2020	2019
Cumulative amount at January 1	\$ 80,077	123,222
Recognized during the period	 6,999	(43,145)
Cumulative amount at December 31	\$ 87,076	80,077

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follow:

	December 31, 2020	December 31, 2019
Discount rate	0.625%	1.000%
Future salary increases	1.5%	1.500%
Actuarial assumptions in deciding cost of defined benefit plans:		
	2020	2019
Discount rate	1.0%	1.125%
Future salary increases	1.5%	1.75%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$52,750 thousand.

The weighted average duration of the defined benefit plan is 12.45 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on present value of defined benefit obligation shall be as follows:



	Influences of defined benefit obligations		
	Increase 0.25%	Decrease 0.25%	
December 31, 2020			
Discount rate	(22,714)	23,470	
Future salary increases	22,453	(21,848)	
	Influences of defined	benefit obligations	
	Increase 0.25%	Decrease 0.25%	
December 31, 2019			
Discount rate	(23,734)	24,561	
Future salary increases	23,615	(22,942)	

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

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

(ii) Employee Promotions Deposits plans

The Company was obligated to pay present employees and retired employees fixed preferential interest rate for their deposits in conformity with "Rules Employee Preferential Deposit for Retired Employees for COTA commercial Bank". If the Company's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employees' retirement.

	Dec	ember 31, 	December 31, 2019
Present value of defined benefit obligation	\$	64,191	62,364
Fair value of plan assets			
Recognized liabilities for defined benefit obligations (Provisions)	\$	64,191	62,364

1) Expenses recognized in profit or loss

As of December 31, 2020 and 2019, the Company's expenses recognized in profit or loss were \$13,869 thousand and \$12,479 thousand, respectively.

2) Actuarial assumptions

	2020	2019
Discount rate	4.00%	4.00%
Interest rate of employee promotions deposits plans	8.35%	8.87%
Return on funds deposited	2.00%	2.00%
Account balance annual decline rate	1.00%	1.00%
Chance of future changes in the system of employee promotions		
deposits plans	50.00%	50.00%

3) Defined contribution plans

The Company allocates 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. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to 28,398 thousand and 27,404 thousand for the years ended December 31, 2020 and 2019, respectively.

(u) Income tax

(i) The components of income tax in the years 2020 and 2019 were as follows:

	2020	2019
Current tax expense		
Current period	\$ 178,020	127,583
Additional tax on undistributed earnings	187	-
Adjustment for prior periods	(361)	
	177,846	127,583
Deferred tax expense		
Origination and reversal of temporary differences	(17,191)	12,823
Income tax expense excluding tax on sale of discontinued operation	<u>\$ 160,655</u>	140,406

The amount of income tax recognized in other comprehensive income for 2020 and 2019 was follows:

	2020	2019
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement from defined benefit plans	<u>\$ (1,400)</u>	8,629

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	2020	2019
Profit excluding income tax	\$ 854,672	889,032
Income tax using the Company's domestic tax rate	170,934	177,806
Tax effect of tax-exempt gains from sale of marketable securities	418	(2,855)
Changes in unrecognized temporary differences	3,000	(5,000)
Additional tax on undistributed earnings	187	-
Overestimate prior income tax expense	(361)	-
Other adjustments	(13,523)	(29,545)
	<u>\$ 160,655</u>	140,406

(ii) Deferred tax asset and liability

1) Unrecognized deferred tax assets

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

	December 31, 2020	December 31, 2019
Tax effect of deductible temporary differences	\$ 33,000	30,000

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:



	Defined benefit plans				Other	Total
Deferred tax assets:						
Balance at January 1, 2020	\$	9,490	27,287	71,639	29,884	138,300
Recognized in profit or loss		3,348	4,896	4,664	3,430	16,338
Recognized in other comprehensive income		1,400	-	-	-	1,400
Balance at December 31, 2020	\$	14,238	32,183	76,303	33,314	156,038
Balance at January 1, 2019	\$	37,468	25,732	83,058	19,283	165,541
Recognized in profit or loss		(19,349)	1,555	(11,419)	10,601	(18,612)
Recognized in other comprehensive income		(8,629)				(8,629)
Balance at December 31, 2019	\$	9,490	27,287	71,639	29,884	138,300

	Accrue valu increme	ie	Fair value profit	Other	Total
Deferred tax liabilities:					
Balance at January 1, 2020	\$	83,799	-	28,651	112,450
Recognized in profit or loss				(853)	(853)
Balance at December 31, 2020	\$	83,799		27,798	111,597
Balance at January 1, 2019	\$	83,799	4,425	30,015	118,239
Recognized in profit or loss			(4,425)	(1,364)	(5,789)
Balance at December 31, 2019	\$	83,799		28,651	112,450

3) Examination and approval

The Company's tax returns for the years through 2018 were examined and approved by the Tax Authorities.

(v) Share capital and other equity accounts

As of December 31, 2020, and 2019, the Company's authorized capital consisted of 10,000,000 thousand shares and issued shares worth \$9,251,037 thousand and \$8,406,376 thousand, respectively, with par value of \$10 per share.

Outstanding shares reconciliation as below:

	Common Stock		
(thousand shares)	2020	2019	
Balance at January 1	840,637	808,305	
Common stock dividend	34,466	32,332	
Issuance of common stock for cash	50,000		
Balance at December 31	925,103	840,637	

(i) Share capital

The Company increased its capital through a capitalization of its retained earnings amounting to \$323,322 thousand based on the resolution approved during the shareholders' meeting held on June 14, 2019, with the approval of the government authorities on July 26, 2019.

The Company increased its capital through a capitalization of its retained earnings amounting to \$344,661 thousand based on a resolution approved during the stockholders' meeting held on June 20, 2020. The relevant statutory registration procedures had been completed.

The Company issued 50,000 thousand new shares for cash, at a par value of \$10 per share, amounting to \$500,000 thousand, based on the resolution approved during the board meeting held on March 25, 2020. The relevant statutory registration procedures had been completed.

(ii) Capital reserve

The components of capital reserve were as follows:

Statutory reserve and special reserve transferred in
Additional Paid-in Capital
Others
Dividends not received overtime by shareholders
Biridona not rocorrod overtimo by endremende

_	December 31, 2020	December 31, 2019
\$	742,056	742,056
	169,638	167,738
	252	215
_	3,202	2,004
\$	915,148	912,013

In accordance with the ROC Company Law, capital reserve is exclusively used for offsetting prior losses and conversion to capital and cannot be distributed as cash dividends. According to the ROC Company Law and relevant securities exchange regulations, a capital increase using capital reserve has to be reserves arisen from issuing stock or donated assets received and cannot exceed 10% of a Company's paid-in capital in any year. Capital reserve arisen from long-term equity investments cannot be used to offset prior losses or converted to capital.

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 30% is to be appropriated as legal reserve but the legal reserve has reached its total capital, or the financial business is sound and raise the legal reserve who under the ROC Bank Act, Have unrestricted preceding paragraph; And the operation needs of the Company with the Act provides for the extension or rotation of the special reserve, If there are reserve, together with the unallocated surplus at the beginning of the period, Drafted by the Board of Directors for distribution of profits brought to the shareholders' meeting dispatch shareholders dividends.

According to the Banking Law, cash dividends are limited to 15% of total capital until the balance of statutory reserve reaches the amount of capital.

Except as otherwise provided by law, cash dividend shall not be lowered than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than \$0.1, expect for otherwise resolved by the shareholder's meeting, it is not distributed.

1) Legal reserve

Under the ROC Bank Act, the Company must retain10% of its earnings as legal reserve until such retention equals the amount of the total capital. According to the amendment of the ROC Bank Act as of January 2012, legal reserve is limited to the extent of 25% of the share capital. In addition, under the ROC Bank Act, the Bank shall retain 30% of its after-tax earnings as the legal reserve before distributing them. Before the amount of legal reserves reaches the amount of the total capital, the maximum amount of distributing earnings in cash shall not exceed 15% of the total capital. The restriction is not applied if the amount of legal reserves equals the amount of the total capital, or if the Bank is in a sound financial condition and when it comply the ROC Bank Act.



2) Special reserve

In accordance with permit NO.10510001510 as issued by the Financial Supervisory Commission, the Company shall retain 0.5% to 1% of its after-tax earnings as the special reserve before distributing the earning for 2016 to 2018. The special reserve from this as of December 31, 2020 and 2019 were approximately the same as \$11,929 thousand.

3) Appropriation of earnings

Earning distribution for 2019 and 2018 was decided via the general meeting of shareholders held on June 20, 2020 and June 14, 2019, respectively. The details were as follows:

		20	19	2018		
	Amou per sh		Tota amou		Amount per share	Total amount
Dividends distributed to ordinary shareholders						
Cash	\$	0.25	2	210,160	0.2	25 202,076
Shares		0.41	3	<u>844,661</u>	0.4	40323,322
Total			\$ 5	554,821		525,398

On March 24, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	 2020				
	Amount per share		Total amount		
Dividends distributed to ordinary shareholders					
Cash	\$ 0.25		231,276		
Shares	0.27		249,778		
Total		\$	481,054		

4) Other equity accounts

	differ trans foreig	change rences on slation of In financial tements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance, January1, 2020	\$	(1,149)	46,147	44,998
Unrealized gains on financial assets, measured at fair value through other comprehensive income		-	92,249	92,249
Foreign currency translation differences (net of tax):		134		134
Balance, December 31, 2020	\$	(1,015)	138,396	137,381
Balance, January1, 2019	\$	655	9,550	10,205
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		-	36,597	36,597
Foreign currency translation differences (net of tax):		(1,804)		(1,804)
Balance, December 31, 2019	\$	(1,149)	46,147	44,998

(w) Share-based payment

On the Board of Directors' meeting on 25 March 2020, the Company decided to award 5,000 thousands new shares of common stock to those full-time employees who meet the Company's requirements. The unvested shares are authorized managing director to search specific people to pay at fair value.

As of December 31, 2020, the Company has the following share-based payment transactions.

Equity-settled

Cash capital increase reserved for employee subscription

Grant date

2020.8.14

Number of shares granted

Contract term

Recipients

Vesting conditions

Equity-settled

Cash capital increase reserved for employee subscription

2020.8.14

5,000 thousand shares

full-time employees

Immediately vested

(i) Determining the fair value of equity instruments granted

The Company used market-based evaluation method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

2020 Cash capital increase reserved for employee subscription Fair value at grant date 11.04 dollars Share price at grant date 11.79~13.91 dollars 10.00 dollars Exercise price 10.19% Expected volatility (%) Expected life (years) 0.1671 year Expected dividend 0.43% Risk-free interest rate (%)

The expected life is between the grant date and the payment date. The determination of fair value doesn't include service from the trade and non-market profitability condition.

(ii) Expense recognized in profit or loss

The Company incurred expenses of share-based arrangements in 2020 as follows:

	 2020
Expenses resulting from cash-settled share-based payment to	
employees	\$ 1,900

(x) Earnings per share

The basic and diluted earnings per share for 2020 and 2019 were calculated as follows:

	2020	2019
Basic earnings per share:		
Profit of the Company for the year	\$ 694,017	748,626



885,622	875,103
\$ 0.78	0.86
\$ 694,017	748,626
885,622	875,103
5,093	5,271
890,715	880,374
<u>\$ 0.78</u>	0.85
	\$ 0.78 \$ 694,017 885,622 5,093 890,715

(y) Net interest income

	2020	2019
Interest income		
Discount and loans	\$ 2,908,233	3,076,934
Due from banks	42,878	69,847
Short-term bills and bonds	217,050	271,175
Other	178,130	187,338
Subtotal	3,346,291	3,605,294
Interest expense		
Deposit	807,034	985,376
Deposits from Central Bank and other banks and call loans to banks and call loans to banks	2,442	2,223
Financial bonds	73,542	74,291
Other	3,848	4,708
Subtotal	886,866	1,066,598
	<u>\$ 2,459,425</u>	2,538,696

(z) Service fee income

	2020	2019
Service fee income		
Insurance agency service fee	\$ 123,813	172,791
Fund service fee	31,006	29,887
Guarantee service fee	29,360	28,164
Consumer financial center service fee	14,285	13,286
Remittance service fee	11,079	12,182
Credit card service fee	9,494	12,793
Other	28,595	27,796
Subtotal	247,632	296,899
Service fee expense	21,924	23,315
	\$ 225,708	273,584

(aa) Gains and losses on financial assets or liabilities measured at fair value through profit or loss

	2020	2019
Disposal gains (losses)		
Convertible bonds	\$ 14,412	11,297
Listed and OTC securities	(4,216)	186
Beneficiary certificates	1,192	2,017
Subtotal	11,388	13,500
Valuation gains (losses)		
Convertible bonds	1,094	-
Listed and OTC securities	(815)	1,192
Short-term bills	(1,038)	1,334
Beneficiary certificates	2,264	5,005
Derivative	(782)	4,542
Subtotal	723	12,073
Dividend and interest income	21,086	22,741
	\$ 33,197	48,314

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

		2020	2019
Dividend income	\$	5,465	5,358
Gain on disposal		213	
	<u>\$</u>	5,678	5,358

(ac) Asset impairment (loss) revolving interest

	202	20	2019
Investment property	\$	-	129,330
Financial assets at fair value through other comprehensive income		944	(1,303)
Financial assets at amortized cost		(621)	(935)
	\$	323	127,092

(ad) Other net non-interest income, net

	2020	2019
Rental income	\$ 20,161	20,574
Net gains on disposal of premises and equipment	(1,692)	285
Other operating reserves	(1,365)	(38,712)
Gain of lease revised	600	-
Other revenues-net	3,454	2,436
	<u>\$ 21,158</u>	(15,417)



(ae) Bad debt expenses and provision for guarantee reserve

Discounts and loans
Receivables
Finance committed reserve

 2020	2019
\$ 7,362	152,339
275	1,342
	6,000
\$ 7,637	159,681

(af) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute no less than 6% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the year ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$55,739 thousand and \$57,980 thousand, and directors' and supervisors' remuneration amounting to \$18,580 thousand and \$19,327 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2020 and 2019. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2020 and 2019.

(ag) Employee benefits expenses

Salary expenses	
Insurance expenses	
Retirement expenses	
Remuneration of directors	
Other employee benefits	

2020		2020	2019
	\$	1,045,799	1,068,890
		83,062	83,167
		47,536	48,561
		34,456	34,993
		93,008	98,269
	\$	1,303,861	1,333,880

(ah) Depreciation and amortization expenses

Depreciation of property and equipment Depreciation of right-of-use assets Depreciation of investment property Amortization of intangible assets

 2020	2019
\$ 45,049	48,432
50,483	52,167
1,149	1,123
 3,432	2,999
\$ 100,113	104,721

(ai) Other general and administrative expenses

Taxes and fees
Insurance expense
Rental expense
Occupational group membership fee
Advertising and printing expense
Security fees
Other

 2020	2019
\$ 190,885	210,742
45,902	45,349
4,855	5,376
30,418	41,269
24,404	27,260
21,848	21,899
 134,172	130,411
\$ 452,484	482,306

(aj) Financial instruments

(i) Fair value Measurement

1) Overview

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.

Financial instruments are measured at fair value on initial recognition, which, in most cases, refers to the entry price. Subsequent valuation is based on the fair value basis except for financial instruments measured at amortized cost. The optimal evidence in deciding fair value is the exit price of an active market. Considering those financial instruments without an active market, the Company adopts the valuation techniques, or the references of the exit price offered by Bloomberg, Reuters and counterparties in fair value valuation.

2) Definition of three - level fair value hierarchy

a) Level 1

Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: the products traded in the market are homogeneous, willing parties are available anytime in the market, and price information is available for the public. The Company's investments in listed and TPEx securities, beneficiary certificates, popular Taiwan central government bonds, and derivative financial instruments which had the quoted price in an active market, are classified to Level 1.

b) Level 2

Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company's investments in government bonds not in popular demand, corporate bonds, financial debentures, convertible bonds, and majority derivative instruments, are classified to Level 2.

c) Level 3

Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility). The equity instruments with no active market which the Company invested are Level 3.

3) Fair value hierarchy

a) The table below analyses recurring financial instruments carried at fair value



		December 3	31, 2020	
Fair value measurement for financial instruments	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Investment in stocks	\$ 34,751	34,751	-	-
Investment in bonds	955,662	-	955,662	-
Short-term bills	2,859,494	2,859,494	-	-
Others	76,935	76,935	-	-
Financial assets at fair value through other comprehensive income				
Investment in stocks	156,278	-	-	156,278
Investment in bonds	8,956,709	8,956,709	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	\$ 6,897	-	6,897	-
Liabilities:				
Financial liabilities at fair value through profit or loss	1,093	-	1,093	-
Instruments not measured at fair value				
Financial assets at amortized cost	19,008,086	15,381,000	3,627,086	-
Investment property	1,297,888	-	-	1,297,888
		December 3	31 2019	
Fair value measurement for financial instruments	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Investment in stocks	\$ 50,704	50,704	-	-
Investment in bonds	699,968	-	699,968	-
Short-term bills	4,020,631	4,020,631	-	-
Others	60,894	60,894	-	-
Financial assets at fair value through other comprehensive income				
Investment in stocks	133,237	-	-	133,237
Investment in bonds	8,944,586	8,944,586	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	\$ 6,662	-	6,662	-
Liabilities:				
Financial liabilities at fair value through profit or loss	75	-	75	-
Instruments not measured at fair value				
Financial assets at amortized cost	19,638,636	16,381,000	3,257,636	-
Investment property	1,297,151	-	-	1,297,151
				(Continued)

b) Valuation techniques of financial assets and liabilities measured by fair value

If there is a quoted price in an active market for non-derivative financial assets and liabilities measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, the quoted price is regarded as its fair value. Financial instruments with public market prices (except for stocks and depositary receipt), such as government bonds, use the latest trade price TPEX Electronic Bond Trading System (EBTS) or reference theory price under as fair value. Foreign currency bonds use the latest trade price as fair value. If no quoted price available, the fair value is estimated using the valuation techniques of which the assumptions and estimates are in conformity with those information (available for the Company) used in pricing the financial instruments. Financial derivative instruments with an active market price use the market value as fair value. When there is no active market price, the valuation model is mainly adopted in evaluation. Derivative instruments — non-option use the discounted cash flow method; Derivative instruments —options mainly use the Black —Scholes Model in evaluation.

c) Fair value adjustment

i) Limitations to Evaluation Models and uncertain inputs

The outputs of evaluation models are estimated, while the model is possibly incapable of reflecting all relevant factors relating to financial instruments held by the Company. In such circumstances, the estimates are hence adjusted according to suitable extra parameters, such as model risk or liquidity risk. The Company's operation process of financial instrument evaluation policy considers the adjustment to evaluation, which is adequate and necessary so as to fairly present the financial instrument's fair value in statement of financial position. In the evaluation process, the pricing information and parameters are deliberately assessed and modulated in light of market situation.

ii) Credit risk valuation adjustment

Credit risk valuation adjustment can be classified into Credit value adjustments and Debit value adjustments. The adjustments reflect the possibility of delayed repayment by the counterparty or the Company in fair value and of failure in transaction's entire market value collected (paid) by the Company.

d) Reconciliation of Level 3 fair values

	2020									
		pro	ofit or loss	Incre	ease	Decr				
account	Opening balance	In profit or loss	In other comprehensive income	Purchased or issued	Transfers in Level 3	Sell or Disposal	Transfers out of Level 3	Ending Balance		
Financial assets at fair value other comprehensive	¢ 422 227		22 044					156 270		
income	<u>\$ 133,237</u>		23,041	20	 19			156,278		
			fit or loss	la au		Door				

				20	19			
		pro	ofit or loss	Incr	ease	Decr		
account	Opening balance	In profit or loss	In other comprehensive income	Purchased or issued	Transfers in Level 3	Sell or Disposal	Transfers out of Level 3	Ending Balance
Financial assets at fair value other comprehensive income	\$ 103,012		30,225					133,237



e) Profit and loss for Level 3

For the years ended December 31, 2020 and 2019, the total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

Recognized as "unrealized gains and losses from financial assets at fair value through other comprehensive income"

 2020	2019
\$ 23,041	30,225

f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

		December 31, 2020							
	fair value	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement					
Financial assets at fair value through other comprehensive income									
Stocks unlisted	\$ 156,278	Market Method	value growth rate	The estimated fair value would increase (decrease) if:					
		Net Asset Value	Net Asset Value	 the value growth rate was higher the Net Asset Value was higher					
	December 31, 2019								
			December 31,	2019					
	fair value	Valuation technique	December 31, Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement					
Financial assets at fair value through other comprehensive income	fair value		Significant unobservable	Inter-relationship between significant unobservable inputs					
value through other	fair value \$ 133,237		Significant unobservable	Inter-relationship between significant unobservable inputs					

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

For fair value measurements in Level 3, changing one or more of the assumptions by 5% to reflect reasonably possible alternative assumptions would have the following effects:

i) market method

	Profit or loss		
	Favo	orable (5%)	Unfavorable (5%)
December 31, 2020			
financial assets at fair value through other comprehensive income			
Stocks unlisted	\$	7,097	(7,097)
December 31, 2019			
financial assets at fair value through other comprehensive income			
Stocks unlisted	\$	5,755	(5,755)

ii) Net Asset Value

	Profit or loss		
	Favorable	e (5%)	Unfavorable (5%)
December 31, 2020			
financial assets at fair value through other comprehensive income			
Stocks unlisted	\$	2,800	(2,750)
December 31, 2019			
financial assets at fair value through other comprehensive income			
Stocks unlisted	\$	2,750	(2,800)

- (ii) Methods and assumptions used by the Company for fair value evaluation of financial instruments were as follows:
 - 1) Fair value of short-term financial instruments are estimated by their book value on the balance sheet date. Since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under reverse repurchase agreements, receivables, other assets, deposits from Central Bank and other banks, and payables.
 - 2) If there is a quoted price in an active market for the financial asset, including financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost, the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated based on the result of a valuation technique that refers to quoted prices provided by financial institutions. The discounted cash flow technique is used to estimate the fair value of a debt instrument where an active market does not exist. The estimates and assumptions made by the Company using the valuation method are consistent with the information made by the market participants, in which the Company can obtain, to estimate and assume the financial instruments.
 - 3) Loans and deposits are both classified as interest-bearing financial assets; therefore, the book value of financial assets is equivalent to their fair value. The net book value of the nonaccrual account, after deducting provision for credit loss, is adopted as the fair value.
 - 4) Financial Bonds Payable: It refers to the financial bonds issued by the Company. Their coupon rates are almost equal to the market interest rate, so it is reasonable to using the discounted present values of the expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.
 - 5) Except those with quoted price in an active market, the fair values of the other financial instruments are attained by valuation techniques or quoted prices from countered parties. The fair value calculated using valuation techniques can refer to the present fair values of financial instruments with similar conditions and characteristics, the discounted cash flow method or other valuation techniques, including the modular valuation method of which the calculated values are computed using attainable market information (such as the commercial paper fixing rates of Reuters.)

(ak) Financial risk information

(i) Overview

The main risks that the Company faced, and the management strategies are as follows:

1) Management of capital adequacy ratio

The Company risk management considers the Bank as a continuous operation and is being based on the best practice of Basel III, to develop a complete risk management structure and capital adequacy management to ensure the Bank fulfills the minimum capital requirements and enable to bear pressure of capital shock.



2) Credit risk management

Credit strategy includes returns and risk diversification. The asset portfolio includes qualified retail bonds, corporate credit and mortgages. It is also distinguished based on the level of client risk to control the acceptable range of the overall credit risk. The Bank also made use of the risk transfer in credit guarantee fund to strengthen the collateral of small-and-medium enterprises, reduce breach of contract risk and accomplish benefits of risk capital at the same time. To effectively maintain the asset quality and risk return, the Bank has improved its credit investigation and review procedures. It has also managed its collateral and strengthened the development use of risk management instruments and credit risk management schemes.

3) Liquidity risk and market risk management

Assets and liabilities committee is responsible of the liquidity, security and profitability of assets and liabilities. The committee not only conducts regular assessment on the duration and the maturity analysis of assets and liabilities but also set limit structure and the related liquidity limits to control index, adjust capital gap in order to conform with the objective of risk appetite. Profitability is strengthened through the optimization of assets and liabilities structure. Market risk management includes investment in trading book and banking book. To prevent financial instruments from suffering from excessive fluctuations in market price, management measures and restrictions on investment are set, sensitivity index on market risk factors.

4) Operational risk management

In order to integrate risk management culture with employees, the Company not only restricts employees by undertaking regulations, discipline and incentive and penalty measures, but also adopts standard operating procedures and internal control systems to enhance capability of information systems control and the timeliness and accuracy of information on risk management. Risk is controlled and reviewed regularly through the risk appetite, key risk indicator and warning system of risk events for early planning to improve measures.

(ii) Organizational structure of risk management

The organizational structure of risk management includes BOD, Risk Committee, Risk Management Committee, Assets and Liabilities Committee, Loan Review Committee, Department of Risk Management, Department of Audit, Department of Law, Credit Management Headquarter and Department of Credit Analysis and Appraisal and other management departments, with BOD as the ultimate responsible unit. The risk committee is subordinated to the BOD, and the member of risk committee is elected from the Board of Directors, who monitor risks on behalf of the BOD. The BOD and risk committee will delegate authorities to the general manager and committees in setting management rules as regards to risk identification, measurement, disclosure, report, monitoring and offsetting. The Company also established independent risk management department to monitor the credit risk, market risk, operational risk and liquidity risk. At the same time, the Company promotes the framework of new Basel capital agreement that identifies measures, discloses and reports management system and proposes each risk management report for management decision on a regular basis. Also, the law department is set up to carry out law risk management and procedures on review of legal compliance. The business units, which are subordinated to the general manager, ensure the coordination of each risk management policies; establish appropriate internal control and standard operating procedures and support the risk management project based on the business needs. The audit department is responsible for auditing the compliance of all internal and external business norms in all units, as well as the implementation of internal control in practice.

(iii) Credit risk

1) The source and definition of credit risk

Credit risk is the risk of financial loss to the Company if a creditor or counterparty fails to meet its contractual obligations. Credit risk management should be adopted in all operating activities that involved in credit risk, including loans, investment in banking book, financial derivatives, transactions in repurchase agreement and other operating activities in relation to the credit risk.

2) Management policy of credit risk

The Company has set standard control procedures on credit risk identification, measurement, and information on disclosures and reports to conduct rational identification, measurement, disclosures and effective control on credit risk. The Company also deliberates the fluctuation in economics and adjusts the credit risk structure accordingly to control the risks in credit portfolio within the risk appetite. These procedures include criteria for targeted client, credit investigation, credit approval or rejection, approval on exceptions, risk control and management, credit review, management on non-performing loans and requests and control of all related documents and information. Based on the risk management policies, the illustration of management process carried out by the competent authority is as follows:

a) Credit investigation

With respect to the criteria for targeted client, the Company should ask for all necessary documents from the clients in order to filter client accurately and control credit portfolio within the acceptable range.

b) Credit approval

Cases that have passed through the credit investigation are reviewed by the credit authority of each level. The credit authorities authorize credits in compliance with the credit limitation structure and authorization policies of the Company. The credit limitation structure and authorization policies of the Company are not only based on banking act and the rules stipulated by the authority, concerning the credit extended to same person or same affiliated enterprises/groups, stock collateral, industry and country, but also based on the professionalism of the credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities on occasional basis.

c) Post-lending loan review mechanisms

The corporate banking business of the Company strengthens the tracking control of the financial and business conditions on creditors, carry out risk assessment report of credit asset portfolio on a regular basis, set-up warning system and adjust business development strategy to cope with economic conditions and changes in asset quality through the account management scheme and regular reassessment system. As regards to delinquent loans, the Company uses concentration management method, together with information systems and analysis model to conduct regular review to improve the performance on overdue to expedite the collection of nonperforming loans.

d) Development, application and verification of risk information system

The Company has actively developed quantify risk assessment model as a reference for credit decision. The Bank develops the credit rating model based on products and characteristics of counterparties and use the results from the model to filter new clients, risk pricing and limit management, to analyze and develop overdue management strategy on overdue loans based on client behavior pattern. To improve the effectiveness of credit investigation and ensure the consistency with the investigation standards, the Company built a credit investigation operating system, which not only strengthen the effectiveness of the Company operation and information system, but also improve the development of model for quantifying risk. The Company conducts verification on the risk assessment model on a regular basis and evaluates the effectiveness of the model and made necessary amendments.

The methods of risk measurement in the main operating departments are as follows:

i) Loans (including credit commitment and guarantee)

Classifications in credit assets and level of credit quality are illustrated as follows:

1. Classification of credit assets

The credit assets are classified into 5 categories, where the normal credit assets are classified as Category 1. After nonperforming credit assets are evaluated by assessing the status of the loan collaterals and the length of time overdue, they are classified under Category 2 assets that require special mention. Assets that are

substandard are classified as Category 3, assets that are doubtful are classified as Category 4 and assets for which incurred a loss are classified as Category 5. The Bank has set "Regulations Governing the Procedures to Evaluate Credit Assets, Set Aside Loss Reserves and Handle Non-performing Credit, Non-accrual Loans and Bad Debts" as management for doubtful loans and as a basis for handling overdue loans.

2. Level of credit quality

The level of credit quality is set to accommodate the characteristics and the scale of operating business and conduct risk management.

ii) Due from the Central Banks and call loans to banks, investments in debt instruments and financial derivatives instruments

The Company always assesses the credit situation of the counterparty before entering into a transaction. The counterparty's rating and information on financial condition from domestic and international credit rating agency are being considered and different credit risk limits are set. The credit risk limits are approved by the BOD or the authority level. Overall, most of the investments are above investment grade ratings.

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

The Company assesses the change in the probability of default of loans during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Company's considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition. The main considerations include: The borrowers of various types of credit assets that have not paid their principal and interest over the contract for more than 30 days and less than 90 days, and the recent credit rating of the debt instruments on the reporting date that has dropped by more than 3 grades (inclusive) from the original rating. Non-investment grades, financial guarantees, and letters of credit, not classified as reference indicators for significant increase in credit risk, are therefore, temporarily classified as a significant increase in credit risk.

4) Credit risk that has not increased significantly or is judged as low credit risk on the reporting date

The Company assesses that there is no significant increase in the risk of default in the expected renewal period of each type of credit assets or low credit risk on each reporting date. The 12-month expected credit loss is used as the risk change if the credit risk of the credit asset is low on the reporting date. It is also assumed that the credit risk of the credit assets has not increased significantly since the original recognition. The credit assets of the low credit risk refer to the credit rating of the borrower's principal and interest and debt instruments as above than BBB-.

5) Reversal policy

The merger Company shall determine the unrecoverable creditor's rights, report it to the Board of Directors for approval, and then resell it. Afterwards, the balance of the allowance will be adjusted.

6) Impairment of financial assets

If the financial assets are deducted from the objective evidence, the difference between the book value of the financial assets and the present value of the original effective interest rate of the estimated future cash flows should be recognized as the impairment loss. The impairment loss should be included in the current profit and loss. When determining the amount of the impairment, the estimated future cash flows are estimated to include the collateral and other credit enhancements.

The objective impairment certificate includes the following information:

- The issuer or the debtor's credit rating is reduced to the default level or the principal and interest are not settled.
- The loan has been overdue for 90 days or has been procured to the principal and clerk for the collateral, which is the overdue loan of Class A and Class B.

7) Measurement of expected credit losses

a) Assumption of adoption

After considering the factors, such as the attributes of financial assets and credit assets and the adequacy of default experience, the internal risk data or institutional information, such as external credit ratings, are used to estimate the credit risk component factors, such as the debtor's probability of default (PD), the loss given default (LGD), and the exposure at default (EAD).

For credit assets that have not significantly increased credit risk or low credit risk since the original recognition, the allowance loss is measured by the 12-month expected credit loss amount; the credit risk has been significantly increased or credit has been deducted since the original recognition production, expected credit losses during the existence of a measure of the amount.

The difference between all the cash flows expected to be received by the combined companies is based on all the contractual cash flows receivable during the expected period of the financial instrument and all the contractual terms of the consideration period (including the collateral held by the sale or other credit enhancements, etc.) The difference between all cash flows that are expected to be charged is the credit risk loss measured by the amount discounted at the original effective interest rate as follows:

- The amount that is determined to be unbiased and weighted by chance, as assessed by each possible outcome.
- Time value of money.
- Reasonable and corroborative information relating to past facts, current conditions and future economic forecasts.

b) Forward-looking information considerations

Forward-looking information is taken into account when determining whether credit risk has significantly increased after the original recognition of credit assets and measures expected credit losses. The Company performs analysis with historical data and adjusts the probability of default based on "Taiwan business indicators" issued regularly by National Development Council, in which five light signals are used to indicate the current economy. The analysis is further taken into account when the Company assesses the overall expected credit loss.

8) Mitigation or hedging of risk

Based on the risk assessment of the credit counterparty and transactions, the Bank requires high liquidity and sufficient collateral or transfer of credit guarantee and guarantee association (for instance, Small and Medium Enterprise Credit Guarantee Fund) to strengthen the guarantee of loans. In order to avoid and control risks, the Company not only requires the provision of necessary legal documents, but also conducts field survey on the status of collateral and determines whether to reassess the value of collateral and demand for additional collateral or adjust the credit amount. The lists of management conduct by the Company are as follows:

- a) Setting the value of collateral and management measures, including types of acceptable collateral, valuation process, frequency of revaluation, market assessment and law enforcement procedures.
- b) The liquidity and value of collateral and the degree of law enforcement should be assessed by independent party.
- c) The selection of appraise or appraisal institute, the requirements of appraisal and its related fees should be in compliance with the internal management procedures.
- d) Transfer of collateral, authority setting, and other insurance procedure should be completed before being appropriated, and the amount set, insured and other legal aspects should be complied with the Company regulations.

9) Maximum exposure credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance sheet financial assets are equal to their carrying values and the maximum exposure of credit risk of off-balance sheet financial instruments were as follows:



	December 31, 2020	December 31, 2019
Irrevocable loan commitment	\$ 15,757,291	15,257,520
Credit card commitment	16,855	20,314
Unused credit card limit	1,520,450	1,503,856
Undrawn letters of credit	-	-
Guarantees	5,510	39,676
	\$ 17,300,106	16,821,366

The Company believes the adopting stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure of their off-balance sheet items.

10) Concentrations of credit risk

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise in a bank's assets, liabilities, or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to banks, investment, receivables and derivatives. The Bank maintains a diversified portfolio, limits its exposure on a continuous basis. The Company's most significant concentrations of credit risk are summarized as follows:

a) By Industry

	December 31, 2020		December 31,	2019	
		Amount	%	Amount	%
Private enterprise	\$	35,163,999	28.96	35,280,920	31.21
Public Sector		751,777	0.62	38,906	0.03
Non-profit organization		195,771	0.16	199,341	0.18
Individuals		85,302,760	70.26	77,295,919	68.38
Financial institutions				229,558	0.20
	\$	121,414,307	100.00	113,044,644	100.00

b) By Area

Not applicable since the Company conducts its business domestically.

c) By Collateral

	December 31, 2020			December 31, 2019		
		Amount	%	Amount	%	
Non-secured	\$	12,173,932	10.03	12,815,984	11.34	
Securities						
Stock		20,066	0.02	35,141	0.03	
Bond		129,796	0.11	86,567	0.08	
Real estate		80,442,301	66.25	74,222,168	65.66	
Chattel		23,573,120	19.41	20,997,756	18.57	
Notes receivables		20,005	0.02	23,876	0.02	
Guarantee		5,038,055	4.15	4,856,856	4.30	
Other		17,032	0.01	6,296		
	\$	121,414,307	100.00	113,044,644	100.00	

11) Credit quality and overdue impairment loss of financial assets of the Bank

Part of the financial assets, such as cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, bills and bonds purchased under resell agreement, guarantee deposits paid and operation guarantee deposits and settlement funds are considered of minimum credit risk due to the good credit ratings of the trade counterparties.

Expect for the abovementioned items, the credit quality analysis of the rest of the financial assets are as follows:

a) Credit quality analysis of discounts and loans as well as receivables

	Neither past	Past	Impair	ed (C)			
December 31, 2020	due nor impaired (A)	due not impaired (B)	Individual	Group	Total (A)+(B)+(C)	Impairment allowance (D)	Net (A)+(B)+ (C)-(D)
Receivables							
-Credit card	127,046	140	-	3,106	130,292	42,964	87,328
-Revenue	9,321	-	-	-	9,321	-	9,321
-Interest	194,874	1,187	700	2,413	199,174	4,071	195,103
-Acceptances receivables	3,338	-	-	-	3,338	-	3,338
-Others	38,719	5,716	-	-	44,435	5,294	39,141
Subtotal	373,298	7,043	700	5,519	386,560	52,329	334,231
Discounts and loans	119,774,660	182,543	549,503	907,601	121,414,307	1,711,717	119,702,590
Off balance sheet items							
-Guarantee	-	2,213,818	-	-	2,213,818	39,489	2,174,329
-Letter of credit	-	82,826	-	-	82,826	5,000	77,826
-Agreed financing amount	17,300,106	-	-	-	17,300,106	44,500	17,255,606

	Neither past	Past	Impair	ed (C)			
December 31, 2019	due nor impaired (A)	due not impaired (B)	Individual	Group	Total (A)+(B)+(C)	Impairment allowance (D)	Net (A)+(B)+ (C)-(D)
Receivables							
-Credit card	141,192	292	-	4,082	145,566	40,121	105,445
-Revenue	13,743	-	-	-	13,743	-	13,743
-Interest	215,876	1,157	445	2,150	219,628	4,076	215,552
-Acceptances receivables	1,441	-	-	-	1,441	-	1,441
-Others	32,863	10,117	-	-	42,980	5,063	37,917
Subtotal	405,115	11,566	445	6,232	423,358	49,260	374,098
Discounts and loans	111,222,642	161,947	688,853	971,202	113,044,644	1,593,172	111,451,472
Off balance sheet items							
-Guarantee	-	2,135,580	-	-	2,135,580	39,505	2,096,075
-Letter of credit	-	89,579	-	-	89,579	5,000	84,579
-Agreed financing amount	16,821,252	114	-	-	16,821,366	29,500	16,791,866

b) Credit quality analysis of security investments

	Neithe	r past d	ue nor im	paired	Past due				N
December 31, 2020	Very Good	Good	Normal	Total (A)	Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Allowance (D)	Net (A)+(B)+ (C)-(D)
Fair value through other comprehensive income									
-Bond	8,956,709	-	-	8,956,709	-	-	8,956,709	2,356	8,954,353
-Other	156,278	-	-	156,278	-	-	156,278	-	156,278
Amortized cost									
-Bond	18,871,810	-	57,016	18,928,826	-	-	18,928,826	9,242	18,919,584
-Other	1,000	-	-	1,000	-	-	1,000	-	1,000

	Neither past due nor impaired				Past due				N. 4
December 31, 2019	Very Good	Good	Normal	Total (A)	Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Allowance (D)	Net (A)+(B)+ (C)-(D)
Fair value through other comprehensive income									
-Bond	8,944,586	-	-	8,944,586	-	-	8,944,586	3,300	8,941,286
-Other	133,237	-	-	133,237	-	-	133,237	-	133,237
Amortized cost									
-Bond	19,558,868	-	60,230	19,619,098	-	-	19,619,098	9,027	19,610,071
-Other	1,000	-	-	1,000	-	-	1,000	-	1,000

12) Management of Foreclosed Collateral

Foreclosed collateral is recorded at cost, using lower-at-cost or market approach as at balance sheet date. If collateral is not disposed of within the statutory period, the Bank should apply for an extension of the disposal period and increase its provision for possible losses if necessary.

13) Disclosures required in the

a) Asset quality of nonperforming loan and overdue credits

				Г	December 31, 2	2020	
Period Items			Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate	Secured		102,122	28,490,010	0.36%	404,627	396.22%
Banking	Unsecured		25,232	7,621,537	0.33%	105,237	417.08%
	Mortgage loa	Mortgage loans (Note 4)		15,567,242	0.15%	214,744	916.65%
0	Cash card		-	-	- %	-	- %
Consumer Banking	Small-scale credit loans (Note 5)		15,924	9,975,705	0.16%	159,382	1,000.89%
Danking	Other	Secured	75,485	59,675,637	0.13%	824,227	1,091.91%
	(Note 6)	Unsecured	462	84,176	0.55%	3,500	757.42%
Total loans			242,652	121,414,307	0.20%	1,711,717	705.42%
			Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Possible Losses	Coverage Ratio
Credit cards	Credit cards		628	130,292	0.48%	42,964	6,841.40%
Accounts re	ceivable facto	ring without recourse	-	-	- %	-	- %

				[December 31, 2	2019	
Items	Period			Total Loans	NPL Ratio (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate	porate Secured		235,680	28,431,355	0.83%	393,901	167.13%
Banking	Unsecured		73,464	7,317,370	1.00%	146,186	198.99%
	Mortgage loans (Note 4)		19,824	16,376,502	0.12%	214,281	1,080.92%
0	Cash card		-	-	- %	-	- %
Consumer Banking	Small-scale credit loans (Note 5)		26,435	8,225,196	0.32%	138,816	525.12%
Danking	Other	Secured	135,683	52,603,745	0.26%	695,956	512.93%
	(Note 6)	Unsecured	736	90,476	0.81%	4,032	548.77%
Total loans			491,822	113,044,644	0.44%	1,593,172	323.93%
			Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Possible Losses	Coverage Ratio
Credit cards	Credit cards		919	145,566	0.63%	40,121	4,365.72%
Accounts re	ceivable facto	ring without recourse	-	-	- %	-	- %

- 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: For loan business: NPL ratio= Nonperforming loans ÷ Total loan balance.
 - For credit card business: Delinquency ratio= Overdue credit card receivables ÷ Credit card receivables balance.
- Note 3: 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 ÷ Overdue credit card receivables.
- Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower or the spouse or the minor children of the borrower.
- Note 5: 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 6: Other consumer banking loans refer to secured or unsecured loans that exclude mortgages, cash cards, credit cards and small-scale credit loans.
- Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factoring without recourse are reported as overdue receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.



b) Exemption of nonperforming loans and overdue receivables

	Decembe	r 31, 2020	Decembe	r 31, 2019
	Amount exempted from reporting as non-performing loans	Amount exempted from reporting as overdue account receivable	Amount exempted from reporting as non-performing loans	Amount exempted from reporting as overdue account receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	3,864	473	5,780	762
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	233,151	1,591	250,389	1,923
Total	237,015	2,064	256,169	2,685

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

c) Concentration of credit extensions

	December 31, 2020										
Rank (Note 1)	Business Groups' Standard Industrial Classification and Symbol (Note 2)	Total Amount of Credit Endorsement or Other Transactions (note 3)	Percentage of the Bank's Equity (%)								
1	n Company- Real Estate	811,840	6.48								
2	AA Company -Real Estate	540,000	4.31								
3	i Company -Private Pulp, Paper and Paper Products Manufacturing	491,400	3.92								
4	I Company -Civil Engineering	485,832	3.88								
5	t Company -Real Estate	349,600	2.79								
6	x Company -Real Estate	324,000	2.59								
7	X Company -Construction Industry	293,780	2.34								
8	k Company -Private Food Products Manufacturing	285,800	2.28								
9	v Company -Private Wholesales	259,423	2.07								
10	AB Company -Real Estate	247,000	1.97								

December 31, 2019

Rank (Note 1)	Business Groups' Standard Industrial Classification and Symbol (Note 2)	Total Amount of Credit Endorsement or Other Transactions (note 3)	Percentage of the Bank's Equity (%)
1	n Company- Real Estate	811,840	7.08
2	I Company -Civil Engineering	539,896	4.71
3	i Company -Private Pulp, Paper and Paper Products Manufacturing	500,000	4.36
4	X Company -Construction Industry	473,780	4.13
5	t Company -Real Estate	349,600	3.05
6	k Company -Private Food Products Manufacturing	295,800	2.58
7	x Company -Real Estate	234,500	2.05
8	v Company -Private Wholesales	232,200	2.03
9	w Company -Real Estate	223,500	1.95
10	o Company -Real Estate	215,000	1.88

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

- Note 1: The top ten enterprise groups other than government or state-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.
- Note 2: Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".
- Note 3: Consists of loans (foreign currency imports financing, foreign currency export financing, notes discounted, customer overdrafts, short-term unsecured loans, short-term secured loans, receivables from securities lending, medium-term unsecured loans, medium-term secured loans, long-term unsecured loans loan-term secured loans, non-performing loans), foreign currency long positions, accounts receivable-factoring discount, bankers' acceptance receivable, guarantees receivable.

(iv) Liquidity risk

1) Causes and definition of liquidity risk

The Company's definition for liquidity risk is the risk the Company encounter difficulty in meeting the obligations with its financial liabilities and cause the losses, for example, a saving account cancels its saving ahead of time, the ways or conditions to call loans to banks drop, creditors' credit become worsen and cause an exceptional condition, financial instruments cannot be financed and etc. The situation mentioned above may reduce the money for lending, trading, and investing activities. In some extreme situation, the lack of liquidity may decrease the level of balance sheet, sale assets, or the possibility of could not fulfill the promise of loan. Liquidity risk is containing in the inherent risk of bank operating, and could be affected by every industry individual or whole market's incident, which are included but not only as: credit event, consolidation or merger and acquisition, system shock, and natural disaster.

2) Management policy of liquidity risk

The Company carries out its management procedures respectively and is monitored by their respective independent risk management department. The procedures include:

- a) Daily capital movement: monitoring future cash flows in order to ensure all requirements are fulfilled.
- b) Maintain adequate stock of liquid assets to buffer unexpected events that may interrupt cash flows.
- c) Monitor liquidity ratios of balance sheets in accordance with the internal management purposes and external regulatory requirements.

The monitoring and reporting procedures are based on the estimation of future 1 month, 1-3 months, 3-6 months, 6-12 months and one-year capital flow. The estimation of future cash flow is based on the contract maturity date of financial liabilities and the estimated collection date of financial assets. The Bank monitors the interest rate risk, structure of assets and liabilities, and the liquidity conditions based on the related report and indices in ALCO and set alert and limits or MAT based on the key indices.

Related information is regularly provided to the risk management committee and BOD.

- 3) To manage liquidity risk of financial assets hold and non-derivative financial liabilities maturity analysis
 - a) To manage liquidity risk of financial assets held

The financial assets include cash and assets that are of highly liquid and high quality for the purpose of paying liabilities and capital movement during emergency. The assets held for managing liquidity risk include cash and cash equivalents, due from the central bank and call loans to banks, financial assets at FVTPL, discounts and loans, financial assets at fair value through other comprehensive income and financial assets at amortized cost.

b) Maturity analysis for non-derivative financial liabilities

The Company's non-derivative financial liabilities are based both on the maturing of assets and liabilities, and the corresponding interest rate and controlled gaps that do not match. As the transaction conditions are uncertain and are of different types, the maturity of assets and liabilities usually does not match. This may result in gains or losses. The following table shows the maturity analysis of liquidity based on liabilities.



December 31, 2020	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Deposits from Central Bank and other banks	877	36,702	-	-	-	37,579
Due to the Central Bank and banks	-	161,440	-	86,400	-	247,840
Payables	334,072	201,311	105,738	64,676	24,605	730,402
Current tax liabilities	-	-	88,169	-	-	88,169
Deposit and remittance	12,040,663	18,779,407	23,590,691	49,640,155	58,189,061	162,239,977
Financial debentures	-	-	-	-	3,000,000	3,000,000
Lease liabilities	3,721	7,470	11,281	22,797	94,541	139,810

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Deposits from Central Bank and other banks	-	39,201	-	-	-	39,201
Payables	379,315	39,688	284,966	77,657	25,236	806,862
Current tax liabilities	-	-	27,797	-	-	27,797
Deposit and remittance	11,352,349	18,917,748	25,223,367	46,650,802	51,606,317	153,750,583
Financial debentures	-	-	-	-	3,000,000	3,000,000
Lease liabilities	4,070	7,199	10,537	20,790	102,226	144,822

4) The maturity analysis of lease agreement

-Foreign exchange

The derivative instruments of the Company's possession which are settled by net amount include foreign derivative instruments, such as non-delivery forward contracts, foreign exchange options settled by net amount. After evaluation the Company concluded that the maturity date is the basic element to comprehend all the derivative financial instruments listed in the financial statement.

The maturity analysis of derivative financial liabilities settled by net amount is as follows:

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			Decemb	er 31, 2020		
	0-30 days	31-90 days	91-180 days	180-365 days	Over 365 days	Total
Financial assets at fair value through profit or loss, Derivative instruments						
-Foreign exchange	\$ 1,060	18	-	-	-	1,078
-Interest exchange	15					15
	<u>\$ 1,075</u>	18				1,093
			Decemb	per 31, 2019		
	0-30 days	31-90 days	91-180 days	180-365 days	Over 365 days	Total
Financial assets at fair value through profit or loss, Derivative instruments						

(Continued)

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5) Maturity analysis for off balance sheet items

The table below shows the maturity analysis of the off-balance-sheet items of the Bank based on the remaining days from the financial statement date to the contract maturity date. For the financial guarantee contracts issued, the maximum amount of the guarantee is listed in the earliest time zone that the guarantee may be executed. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the financial statement.

December 31, 2020	0~30 days	31~90 days	91~180days	181~365 days	Over 356 days	Total
Commitment of loans	2,640,269	5,275,028	7,841,994	-	-	15,757,291
Commitment for letter of credit card	-	160	266	518	15,911	16,855
Unused cycle quota of credit cards	-	25,972	16,002	57,669	1,420,807	1,520,450
Undrawn letters of credit	-	-	-	-	-	-
Guarantees	-	5,510	-	-	-	5,510

December 31, 2019	0~30 days	31~90 days	91~180days	181~365 days	Over 356 days	Total
Commitment of loans	2,361,887	4,685,767	7,083,992	1,125,874	-	15,257,520
Commitment for letter of credit card	-	9	132	605	19,568	20,314
Unused cycle quota of credit cards	-	21,007	28,277	53,072	1,401,500	1,503,856
Undrawn letters of credit	-	-	-	-	-	-
Guarantees	-	38,007	1,669	-	-	39,676

- 6) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks
 - a) Maturity analysis of assets and liabilities in New Taiwan Dollars

(in thousands of New Taiwan Dollars)

December 31, 2020								
		Amount for each remaining period to maturity						
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	
Main capital inflow on maturity	\$ 177,109,704	18,881,501	17,662,565	4,291,251	6,403,922	14,411,897	115,458,568	
Main capital outflow on maturity	192,022,165	4,827,336	10,147,900	24,284,545	31,441,113	49,462,410	71,858,861	
Gap	(14,912,461)	14,054,165	7,514,665	(19,993,294)	(25,037,191)	(35,050,513)	43,599,707	

(in thousands of New Taiwan Dollars)

December 31, 2019								
		Amount for each remaining period to maturity						
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	
Main capital inflow on maturity	\$ 167,769,932	21,261,019	13,207,713	5,256,598	6,883,404	15,372,751	105,788,447	
Main capital outflow on maturity	182,435,903	4,565,186	9,529,829	23,400,188	32,551,298	47,577,834	64,811,568	
Gap	(14,665,971)	16,695,833	3,677,884	(18,143,590)	(25,667,894)	(32,205,083)	40,976,879	



b) Maturity analysis of assets and liabilities in US Dollars

(in thousands of USD)

December 31, 2020								
		Total		Amount for each remaining period to maturity				
		iotai	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	
Main capital inflow on maturity	\$	138,712	71,690	37,025	3,847	3,735	22,415	
Main capital outflow on maturity		138,712	50,390	12,090	5,630	9,507	61,095	
Gap		-	21,300	24,935	(1,783)	(5,772)	(38,680)	

(in thousands of USD)

-		0.4	~~	40
Decer	nber	31.	. 20	19

	Total	Amount for each remaining period to maturity					
	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	
Main capital inflow on maturity	\$ 102,965	35,350	33,652	5,225	2,437	26,301	
Main capital outflow on maturity	102,965	43,077	7,911	4,861	7,389	39,727	
Gap	-	(7,727)	25,741	364	(4,952)	(13,426)	

(v) Financial risk information

1) Market risk

Market risk means the changes in market price that lead to the fair value and future cash flow volatility risk of the held financial instruments, even if it is not included in the financial statements. The risk factors usually refer to interest rate, exchange rate, equity investment and price. When the factors change, the Company's net operating income and the value of investment portfolio will have volatility risk.

The main market risks of the Company and its subsidiary 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, and FX options and so on. The main position of equity investment risk includes stocks, funds, and stock market index futures and so on.

The major objective of the risk management of the Company is to control the risk under the scope approved by the Board of Directors by using effective management methods to utilize resource and create maximum economic profit. For major risks, the Company had established the risk management policies to serve as its primary principle, which covers managerial objective, organizational structure, accountability, and risk management procedures, and by implementing these mechanisms, operational risks can be controlled at an acceptable level.

Market risk is the risk that the Company's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level, volatility or correlation of market risk factors, such as interest rate (including credit spread), foreign exchange rate, securities price and commodity price. The market correlation and liquidity of these types of instruments are also covered.

The Company divides market risk exposures into either trading or non-trading portfolios. The trading portfolio includes positions arising from trading activities, which aim at benefiting from short-term price movements, such as proprietary trading and market making. The non-trading portfolio includes positions not held for the purpose of earning capital gains.

Sensitivity analysis for exchange rate risk, interest rate risk and equity security price risk are as follows:

December 31, 2020						
		Amount i	nfluence			
Main risk	Range	Equity	Gain or loss			
Exchange rate risk	USD/NTD, EUR/NTD increase 3%, other currency/ NTD decrease 5%	-	21,575			
Exchange rate risk	USD/NTD, EUR/NTD decrease 3%, other currency/ NTD decrease 5%	-	(21,575)			
Interest rate risk	Interest rate curve rise 20BPS	(49,967)	(3,102)			
Interest rate risk	Interest rate curve fall 20BPS	49,967	3,102			
Price of equity stock risk	Price of equity stock rise 15%	23,442	16,753			
Price of equity stock risk	Price of equity stock fall 15%	(23,442)	(16,753)			

December 31, 2019

		Amount i	nfluence
Main risk	Range	Equity	Gain or loss
Exchange rate risk	USD/NTD, EUR/NTD increase 3%, other currency/ NTD decrease 5%	-	23,094
Exchange rate risk	USD/NTD, EUR/NTD decrease 3%, other currency/NTD decrease 5%	-	(23,094)
Interest rate risk	Interest rate curve rise 20BPS	(55,174)	(1,747)
Interest rate risk	Interest rate curve fall 20BPS	55,174	1,747
Price of equity stock risk	Price of equity stock rise 15%	19,986	16,740
Price of equity stock risk	Price of equity stock fall 15%	(19,986)	(16,740)

2) Exchange rate risk concentration information

All held foreign financial assets and liabilities are classified by currencies and represented using the carrying amounts.

(in thousands of New Taiwan Dollars)

Financial assets					
Monetary items					
USD					
HKD					
CAD					
JPY					
CHF					
AUD					
NZD					
ZAR					
GBP					
EUR					
CNY					

December 31, 2020						
Foreign currency (in thousands)	Exchange Rate	NTD				
135,181	28.508	3,853,752				
4,127	3.6775	15,177				
1,006 281,789	22.3627 0.2765	22,494 77,915				
39	32.3660	1,248				
15,096	21.9797	331,806				
4,240	20.6027	87,352				
39,000	1.951	76,090				
780 1,763	38.9277 35.0591	30,370 61,826				
37,252	4.3825	163,258				



Financial liabilities			
Monetary items			
USD	110,088	28.508	3,138,384
HKD	4,391	3.6775	16,150
CAD	1,054	22.3627	23,566
JPY	305,736	0.2765	84,536
CHF	25	32.3660	803
AUD	15,005	21.9797	329,806
NZD	4,037	20.6027	83,174
ZAR	38,663	1.951	75,432
GBP	802	38.9277	31,226
EUR	1,680	35.0591	58,911
CNY	36,928	4.3825	161,836
		December 31, 2019	
	Foreign currency (in thousands)	Exchange Rate	NTD
Financial assets			
Monetary i tems			
USD	102,612	30.106	3,089,251

	Foreign currency (in thousands)	Exchange Rate	NTD
Financial assets			
Monetary i tems			
USD	102,612	30.106	3,089,251
HKD	3,938	3.8661	15,226
CAD	972	23.0839	22,445
JPY	203,815	0.2771	56,477
CHF	46	31.0595	1,426
AUD	12,281	21.1013	259,150
NZD	3,298	20.2674	66,837
ZAR	32,185	2.138	68,811
GBP	433	39.5412	17,131
EUR	1,749	33.7368	59,003
CNY	42,382	4.3231	183,220
Financial liabilities			
Monetary items			
USD	78,233	30.106	2,355,276
HKD	4,181	3.8661	16,163
CAD	946	23.0839	21,844
JPY	265,718	0.2771	73,631
CHF	32	31.0595	1,008
AUD	12,091	21.1013	255,142
NZD	3,502	20.2674	70,981
ZAR	32,765	2.138	70,051
GBP	377	39.5412	14,924
EUR	1,712	33.7368	57,757
CNY	43,426	4.3231	187,733
			(Continued)

- 3) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.
 - a) The analysis table of interest rate sensitivity in New Taiwan Dollars

December 31, 2020

(in thousands of New Taiwan Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total	
Interest-rate-sensitive assets	\$ 124,528,386	5,356,404	1,225,712	37,597,396	168,707,898	
Interest-rate-sensitive liabilities	54,952,699	79,598,460	21,765,568	3,115,446	159,432,173	
Interest rate sensitivity gap	69,575,687	(74,242,056)	(20,539,856)	34,481,950	9,275,725	
Net worth						
Ratio of interest-rate-sensitive assets to liabilities (%)						
Ratio of interest rate sensitivity gap to net worth (%)						

December 31, 2019

(in thousands of New Taiwan Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 117,983,544	5,409,431	2,762,558	33,672,431	159,827,964
Interest-rate-sensitive liabilities	58,232,163	71,711,539	18,827,098	2,923,486	151,694,286
Interest rate sensitivity gap	59,751,381	(66,302,108)	(16,064,540)	30,748,945	8,133,678
Net worth					
Ratio of interest-rate-sensitive assets to liabilities (%)					
Ratio of interest rate sensitivity gap to net worth (%)					

- 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 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.
 - b) The analysis table of interest rate sensitivity in US Dollars

December 31, 2020

(in thousands of USD)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total	
Interest-rate-sensitive assets	\$79,959	3,846	3,735	22,415	109,955	
Interest-rate-sensitive liabilities	17,362	5,630	9,507	60,606	93,105	
Interest rate sensitivity gap	62,597	(1,784)	(5,772)	(38,191)	16,850	
Net worth						
Ratio of interest-rate-sensitive assets to liabilities (%)						
Ratio of interest rate sensitivity gap to net worth (%)						

December 31, 2019

(in thousands of USD)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total	
Interest-rate-sensitive assets	\$58,722	2,225	2,437	26,301	89,685	
Interest-rate-sensitive liabilities	12,064	4,861	7,389	39,154	63,468	
Interest rate sensitivity gap	46,658	(2,636)	(4,952)	(12,853)	26,217	
Net worth						
Ratio of interest-rate-sensitive assets to liabilities (%)						
Ratio of interest rate sensitivity gap to net worth (%)						



- 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 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.

(al) Capital management

(i) Introduction

In accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" announced by FSC, regular calculation and preparation of related reports and report to the authorities for review are required in order to perform financial disclosures and conduct internal capital adequacy management. In accordance with the operation plans and budget targets, also considering the Company's development strategy, capital adequacy, liabilities ratios, and increased of return on equity.

(ii) Regulatory capital

Based on the "Regulations Governing the Capital Adequacy and Capital Category of Banks" announced by FSC, self-owned capital is classified into Tier 1 capital and Tier 2 capital:

- 1) Tier 1 capital: includes common equity and other Tier 1 capital.
 - a) Common equity: Common equity includes common stock, capital surplus (excluding premium on preference shares issuance), accumulated surplus and equity adjustments, less the following items: intangible assets (including goodwill), unamortized loss on disposal of non-performing loans, major investments, deferred tax assets, deferred pension costs and the items originally deducted from Tier 1 capital and Tier 2 capital.
 - b) Other Tier 1 capital including non-cumulative perpetual preferred stock and non-cumulative perpetual subordinated debts.
- 2) Tier 2 capital: includes cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation appreciation, convertible debt, operational provisions and loan-loss reserves.

(iii) Capital adequacy ratio:

ltem Year			December 31, 2020	December 31, 2019
	Common stock	capital	12,178,833	11,127,355
Eligible	Other tier 1 ca	pital	600,000	573,955
Capital	Tier 2 Capital		2,754,486	3,066,952
	Eligible capital		15,533,319	14,768,261
		Standardized approach	109,840,309	102,399,255
	Credit risk	Internal-rating-based approach	-	-
		Secularization	9,964	657,622
D		Basic indicator approach	5,309,738	5,333,786
Risk- weighted Assets	Operational risk	Standardized approach / Alternative standardized approach	-	-
A33013		Advanced measurement approach	-	-
	Market riek	Standardized approach	3,668,416	3,574,406
	Market risk	Internal model approach	-	-
	Total Risk-weig	hted assets	118,828,427	111,965,069
Capital adequacy ratio			13.07%	13.19%
Ratio of common stock equity to risk-weighted assets (%)			10.25%	9.94%
Ratio of tier 1 capital to risk-weighted assets (%)			10.75%	10.45%
Leverage Ratio	0%		6.41%	6.20%

Note 1: Eligible capital, risk-weighted assets and risk exposure are calculated under the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and the "Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks."

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity capital + Other tier 1 capital excluding common stock equity + Tier 2 capital
- 2) Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of tier 1 capital to risk-weighted assets = (Common equity capital + additional tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage = Tier 1 capital ÷ Exposure measurement.

(am) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow to get the right-of-use assets by lease in the years ended December 31, 2020 and 2019, please refer to note6(j).

		Non-cash changes				
	January 1, 2020	Cash flows	Add	Fair value changes	Changes in other	December 31, 2020
Financial liability at fair value through profit or loss	\$ 75	-	-	1,018	-	1,093
Subordinate financial debentures	3,000,000	-	-	-	-	3,000,000
Lease liabilities	144,822	(49,100)	52,627		(8,539)	139,810
Total liabilities from financing activities	\$ 3,144,897	<u>(49,100</u>)	52,627	1,018	(8,539)	3,140,903
			No	on-cash change	es	
	January 1, 2019	Cash flows	Add	Fair value changes	Changes in other	December 31, 2019
Financial liability at fair value through profit or loss	\$ 360	-	-	(285)	-	75
Subordinate financial debentures	3,000,000	-	-	-	-	3,000,000
Lease liabilities	146,498	(50,364)	48,688			144,822
Total liabilities from financing activities	\$ 3,146,858	(50,364)	48,688	(285)		3,144,897

(7) Related-party transactions:

(a) Relations parties of Name and Relationship

Relations parties of Name	Relationship			
Third Credit Cooperative Educational Foundation	Same director with the Company.			
Other	Director, supervisors, managers of the Company and their relatives.			



(b) Significant transactions with related parties

(i) Loans

December 31, 2020								
	Account			Loan classification			Differences in	
Туре	Volume (Number of Names)	Highest Balance	Ending Balance	Normal Loans	Non- performing loans	Collateral (note2)	Transaction Terms from Those for Unrelated Parties	
Consumer loans	2	\$780	686	686	-	no guarantee	None	
Private housing mortgage loan	6	10,898	10,288	10,288	-	Real estate	None	
Other loans	16	113,916	90,564	90,564	-	Real estate/cars	None	

December 31, 2019

	Account			Loan classification			Differences in	
Туре	Volume (Number of Names)	Highest Balance	Ending Balance	l	Non- performing loans	Collateral (note2)	Transaction Terms from Those for Unrelated Parties	
Private housing mortgage loan	4	10,948	9,986	9,986	-	Real estate	None	
Other loans	17	120,546	72,531	72,531	-	Real estate/cars	None	

Loans for related parties are 101,537 thousand and 82,517 thousand on December 31, 2020 and 2019, and the ratio of it to total loan is 0.08% and 0.07%, respectively. Interest income from related parties is 1,745 thousand and 1,542 thousand for 2020 and 2019, and the ratio of it to total interest income is the same as 0.05% and 0.04%, respectively. The range for related parties' loan interest rate is $1.320\% \sim 2.750\%$ and $1.60\% \sim 3.02\%$ for 2020 and 2019, respectively.

Loans for main management are 7,530 thousand and 458 thousand on December 31, 2020 and 2019, and the ratio of it to total loan is 0.0062% and 0.0004%, respectively. Interest income from main management is 125 thousand and 18 thousand for 2020 and 2019 respectively, and the ratio of it to total interest income is the same as 0.0037% and 0.001%. The range for related parties' loan interest rate is 1.37%~1.795% and 1.60%~2.15%.

(ii) Deposits

	December 31, 2020					
Name of related parties	Ending Balance	<u></u> %	The range of interest rate			
The sum of separate accounts balances related parties' is lower than 1% of total deposits.	\$ 301,459	0.19	0.09%~1.1%			
		December 31,	2019			
Name of related parties	Ending Balance	December 31,	2019 The range of interest rate			

Interest resulting from such deposits was \$3,907 thousand and \$4,107 thousand for 2020 and 2019. The range for employee demand savings deposits interest rate was 8.35% and 8.87% for 2020 and 2019.

(iii) Leases

In July 2017, the Company rented out an office building to Third Credit Cooperation Educational Foundation. A three-year lease contract was signed, in which the rental fee is determined based on nearby office rental rates. Rental income for the year ended December 31, 2020 and 2019 both amounted to \$120 thousand.

(c) Compensation information for main management

	2020		2019	
Salary and other short-term employee benefits	\$	48,160	48,613	
Post-employment benefits		486	478	
Termination benefits		-	-	
Other long-tern employee benefits		-	-	
Share-based payment		58		
	\$	48,704	49,091	

(8) Pledged assets:

Pledged assets Object		December 31, 2020	December 31, 2019
Due from the Central Bank and call loans to banks: Deposit reserve-demand accounts	Cooperate with the Central Bank in handling SME loan project financing collateral in response to the epidemic	\$ 500,000	-
Financial assets measured at amortized cost:			
Government bonds	Placed as deposits in courts	161,600	179,600
Government bonds	Deposited as trust compensation	50,000	50,000
		\$ 711,600	229,600

(9) Significant commitments and contingencies:

(a)

	December 2020	· 31, 	December 31, 2019
Collections received	\$ 7,2	85,782	7,640,323
Handled several guarantees	2,2	13,818	2,135,580
Entrusted with the sale of traveler's checks		-	3,059
Letter of credit		82,826	89,579
Undrawn loan commitments	15,7	79,656	15,317,510
Unused cycle quota of credit cards	1,5	20,450	1,503,856

(b)

The plaintiff Xiandeng International Co., Ltd. re-elected the directors of the eighth. Session of the Board of Directors of the company in the first shareholders' meeting in the Republic of China in 2017, arguing that the Company will handle the cash increase, because the original shareholders and employees waived the shares of the shares, and the Board of Directors authorized the regular board to meet the specific person. (Including the directors and their interested parties), according to the issue price, they filed a lawsuit with the Taiwan Taichung District Court requesting the cancellation of the resolution of the shareholders' meeting. On May 24th, 2019, the results of the first trial of the Taiwan Taichung District Court is win,



therefore, plaintiff filed an appeal on June 18th. The Company received the notice of civil court No. 2019 v.3148 of the Taiwan Taichung District Court, which requests for confirmation that the standing board resolution is invalid on October 17th, 2019. On October 8, 2020, the Company received the 109 Shag-Tzu No.304 trial result of the Taichung Branch of the Taiwan High Court, stating that the plaintiff's lawsuit was rejected in the first instance, and the litigation costs in the first and second instances were borne by the plaintiff. Since the plaintiff did not file an appeal within the legal period, the decision made by the court concerning this case was deemed final.

Mr. Lin et al. six people incidental civil lawsuit requested damage compensation of Mr. Chen violation of the Futures Trading Act. At 2013, the result of the first trial of the Taiwan Taichung District Court is Mr. Chen should give compensation \$38,712 thousand to Mr. Lin et al. six people. The Company has commissioned a lawyer to handle the case and already estimated loss and provisions, please refer to Note 6(r). The Company assesses that the operations are all normal and do not cause major changes to the Company's business policies and decisions.

(10) Significant Disasters Loss: None

(11) Significant Subsequent Events: None

(12) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

		2020		2019		
Function	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel Expenses:						
Salaries	-	1,045,799	1,045,799	-	1,068,890	1,068,890
Labor and health insurance	-	83,062	83,062	-	83,167	83,167
Pension	-	47,536	47,536	-	48,561	48,561
Remuneration of directors	-	34,456	34,456	-	34,993	34,993
Others	-	93,008	93,008	-	98,269	98,269
Depreciation expenses	-	96,681	96,681	-	101,722	101,722
Amortization expenses	-	3,432	3,432	-	2,999	2,999

(b) Balance sheet and trust property under the Company's trust accounts are disclosed as follows:

Trust Balance Sheets December 31, 2020

Trust As	sets		Trust L	iabilities	
Cash in bank	\$	982,846	Trust capital-money	\$	4,615,986
Investment in mutual fund		3,807,358	Trust capital-PP&E		831,281
Land	_	656,752	Provisions and accumula profit or loss	ated	(311)
Total trust assets	\$	5,446,956	Total trust liabilities	\$	5,446,956

December 31, 2019

Tru	st Assets		Trust L	iabilities	
Cash in bank	\$	622,194	Trust capital-money	\$	4,772,071
Investment in mutual	fund	4,233,723	Trust capital-PP&E		721,760
Land		637,804	Provisions and accumula profit or loss	ated	(110)
Total trust assets	\$	5,493,721	Total trust liabilities	\$	5,493,721

Trust Property list of trust account December 31, 2020

Investment Item	Book Amounts
Cash in bank	\$ 982,846
Investment in mutual fund	3,807,358
Land	656,752
	<u>\$ 5,446,956</u>

December 31, 2019

Investment Item	Book Amounts
Cash in bank	\$ 622,194
Investment in mutual fund	4,233,723
Land	637,804
	<u>\$ 5,493,721</u>

Trust Income Statement 2020

Investment Item	Book Amounts
Trust income	
Interest income	\$ 156,170
Gains on trust investments	135,969
Total trust income	292,139
Trust expense	
Management fees	10,086
Losses on trust investments	185,185
Total trust expense	195,271
Income profit before income taxes	96,868
Income tax expense	
Net profit	<u>\$ 96,868</u>

Trust Income Statement 2019

Investment Item	Book Amounts
Trust Income	
Interest income	\$ 183,799
Gain on trust investments	79,880
Total trust income	263,679
Trust Expense	
Management fees	7,612
Losses on trust investments	165,557
Total trust expense	173,169
Income profit before income taxes	90,510
Income tax expense	
Net profit	<u>\$ 90,510</u>

(c) Profitability:

Unit: %

Items		December 31, 2020	December 31, 2019
Deturn on cocata ratio	Before income tax	0.49	0.53
Return on assets ratio	After income tax	0.40	0.45
Datum an amitumtia	Before income tax	7.12	7.97
Return on equity ratio	After income tax	5.79	6.71
Net Income ratio		25.53	25.21

Note 1: Return on assets ratio = Net income before/after income tax ÷ average total assets.

(d) Seasonality of operations

The Company is not affected by seasonal or cyclical factors

(13) Other disclosures:

(a) Information on significant transactions: None

- (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:

 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:
- (vi) Information on NPL disposal transaction: None

Note 2: Return on equity ratio = Net income before/after income tax ÷ average total stockholders' equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

- (vii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: None
- (viii) Business relationships and significant intercompany transaction: None.
- (ix) Other significant transactions that may have substantial influence upon the decisions made by financial report users:

 None
- (b) Information on investees: None
- (c) Information on investment in mainland China: None

(14) Disclosures required for securities firm investing in countries or regions without securities authority:

- (a) The Company has three segments need to be disclosed (consumers' financing, branches, and others). Each department provides different services and products and managed separately based on their diverse techniques and marketing tactic. The higher level managements of the Company review each department's internal management report every quarter. The information of asset and income disclose by segments all follow the significant accounting policies stated above.
- (b) The operation businesses of the segments which need to be disclosed were as follow:

2020	Consumers' financing	Branches	Others	Subtotal	Elimination	Total
Revenue						
Net interest income	\$ 1,046,790	1,040,779	371,856	2,459,425	-	2,459,425
Net service income	11,415	56,083	158,210	225,708	-	225,708
Other income-net	2	182	33,450	33,634	-	33,634
Income between segments	(352,799)	512,312	(159,513)			
Total	705,408	1,609,356	404,003	2,718,767		2,718,767
Expenses						
Bad debt	35,885	56,146	(84,394)	7,637	-	7,637
Operating expenses	308,404	746,799	801,255	1,856,458		1,856,458
Total	344,289	802,945	716,861	1,864,095		1,864,095
Income before tax	<u>\$ 361,119</u>	806,411	(312,858)	854,672		854,672
	Consumers'					
December 31, 2020	financing	Branches	Others	Subtotal	Elimination	Total
Assets	\$ 35,996,454	84,132,883	59,616,621	179,745,958		179,745,958
Liabilities	<u>\$ 35,635,335</u>	83,326,473	48,250,605	<u>167,212,413</u>		<u>167,212,413</u>

2019	Consumers' financing	Branches	Others	Subtotal	Elimination	Total
Revenue						
Net interest income	\$ 1,085,090	989,318	464,288	2,538,696	-	2,538,696
Net service income	10,605	51,434	211,545	273,584	-	273,584
Other income-net	-	167	157,173	157,340	-	157,340
Income between segments	(372,557)	621,821	(249,264)			
Total	723,138	1,662,740	583,742	2,969,620		2,969,620
Expenses						
Bad debt	74,602	114,146	(35,067)	153,681	-	153,681
Provision for guarantees	-	-	6,000	6,000	-	6,000
Operating expenses	304,791	754,444	861,672	1,920,907		1,920,907
Total	379,393	868,590	832,605	2,080,588		2,080,588
Income before tax	\$343,745	794,150	(248,863)	889,032		889,032
December 31, 2019	Consumers'	Pranchas	Others	Subtotal	Elimination	Total
	financing	Branches 220		Subtotal	EIIIIIIIauon	
Assets	\$ 33,509,864	78,128,272	58,226,947	169,865,083		169,865,083
Liabilities	<u>\$ 33,166,119</u>	77,334,122	47,905,073	158,405,314		158,405,314

(c) Geographic segment information:

The Company's interest income and service fee income are both from the customers in Taiwan. The Company's non-current assets are all located in Taiwan.

(d) Information on major customers:

For the years ended December 31, 2020 and 2019, no individual customer of the Company accounted for 10% or more of the Bank and its subsidiaries' revenue in the statements of income.

COTA COMMERCIAL BANK CO., LTD. Statement of Cash and Cash Equivalents December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

ltem		Amount
Cash on hand:		
NTD	\$	1,358,700
USD955,776 exchange rate 28.508		27,247
HKD3,807,050 exchange rate 3.6775		14,001
JPY139,256,000 exchange rate 0.2765		38,504
EUR431,115 exchange rate 35.0591		15,115
CNY4,886,540 exchange rate 4.3825		21,415
		1,474,982
Deposits from other banks:		
Demand deposits		88,000
Checking deposits		65,720
Foreign currency deposits (USD352,790.47 exchange rate 28.508		
EUR1,032,782.46 exchange rate 35.0591		
CAD91,458.00 exchange rate 22.3627		
NZD89,825.12 exchange rate 20.6027		
AUD588,378.94 exchange rate 21.9797		
GBP430,162.22 exchange rate 38.9277		
CHF38,543.65 exchange rate 32.3660		
ZAR15,967.72 exchange rate 1.9510		
JPY38,842,696 exchange rate 0.2765		
CNY69,052.65 exchange rate 4.3825		
HKD320,019.37 exchange rate 3.6775)		93,615
		247,335
Checks for clearance		147,248
Total	<u>\$</u>	1,869,565

COTA COMMERCIAL BANK CO., LTD.

Statement of Financial Instruments at Fair Value through Profit or Loss December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Total par value		Acquisition cost	Total fair value
Financial assets at fair value through profit or loss:				
Securities of listed companies	\$	-	36,609	34,751
Beneficiary certificates		-	73,069	76,935
Short-term bills		-	2,859,017	2,859,494
Derivatives				
Interest rate swaps				6,897
Total				2,978,077
Convertible bonds		953,700	953,700	955,662
				\$ 3,933,739

${\bf COTA}\ {\bf COMMERCIAL}\ {\bf BANK}\ {\bf CO.},\ {\bf LTD.}$

Statement of Financial Instruments at Fair Value through Other Comprehensive Income December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Debt investments:

				Fair Value	
Name of financial instruments	Summary	Total par value	Acquisition cost	Unit price(dollar/ hundred dollar)	Total
Corporate bonds					
B401DC-01	maturity date 2023.09.06	200,000	200,000	100.9712	201,942
B401DC-02	maturity date 2023.09.06	200,000	200,000	100.9712	201,942
B402B6-01	maturity date 2023.11.08	200,000	203,638	103.3830	206,766
B40705-01	maturity date 2023.12.21	200,000	200,000	101.7509	203,502
B638B9-01	maturity date 2022.03.24	200,000	200,000	100.6885	201,377
B638B9-02	maturity date 2022.03.24	100,000	100,000	100.6885	100,689
B644AG-01	maturity date 2023.08.08	100,000	100,307	101.2705	101,271
B71869-01	maturity date 2022.06.11	200,000	201,417	100.7073	201,415
B71869-02	maturity date 2022.06.11	200,000	201,398	100.7073	201,415
B801AF-01	maturity date 2021.01.23	50,000	50,000	100.0317	50,016
B84704-02	maturity date 2023.06.15	200,000	199,999	101.1232	202,246
B85106-01	maturity date 2024.04.02	100,000	100,000	101.4198	101,420
B85502-01	maturity date 2024.07.29	200,000	200,000	101.4357	202,871
B921A0-01	maturity date 2024.11.28	100,000	100,000	101.1845	101,184
B921A4-01	maturity date 2024.11.28	100,000	100,000	101.1845	101,184
B94638-01	maturity date 2022.01.05	200,000	199,999	100.8261	201,652
B94638-02	maturity date 2022.01.05	100,000	99,999	100.8261	100,826
B97624-01	maturity date 2021.06.21	100,000	100,000	100.2672	100,267
B9A201-01	maturity date 2023.09.18	200,000	201,232	101.7115	203,423
B20156-01	maturity date 2024.05.08	100,000	100,000	101.1218	101,122
B20156-02	maturity date 2024.05.08	100,000	100,000	101.1218	101,122
B30436-01	maturity date 2022.05.22	100,000	100,000	101.0245	101,025
B30437-01	maturity date 2023.05.16	100,000	100,000	101.3143	101,314
B30437-02	maturity date 2023.05.16	100,000	100,000	101.3143	101,314
B30437-03	maturity date 2023.05.16	100,000	100,000	101.3143	101,314
B30441-01	maturity date 2026.05.15	200,000	200,000	102.4668	204,934
B402BB-01	maturity date 2023.06.26	100,000	100,000	100.6913	100,691
B402BB-02	maturity date 2023.06.26	100,000	100,000	100.6913	100,691
B40421-01	maturity date 2022.10.27	100,000	100,000	100.7855	100,786
B40422-01	maturity date 2024.04.26	100,000	100,000	100.9473	100,947

				Fair Val	ue
Name of financial instruments	Summary	Total par value	Acquisition cost	Unit price(dollar/ hundred dollar)	Total
B50156-01	maturity date 2022.05.17	100,000	100,000	100.3126	100,313
B618BN-01	maturity date 2027.03.23	100,000	100,000	101.3274	101,327
B618BN-02	maturity date 2027.03.23	100,000	100,000	101.3274	101,327
B618BR-01	maturity date 2027.04.15	100,000	100,000	100.8561	100,856
B644AN-01	maturity date 2022.05.17	100,000	100,000	100.9570	100,957
B644BA-01	maturity date 2024.07.27	200,000	200,000	101.9867	203,973
B644BW-01	maturity date 2027.12.28	100,000	100,000	100.0048	100,005
B67518-02	maturity date 2023.01.12	200,000	202,243	102.2776	204,555
B69105-01	maturity date 2023.01.10	200,000	200,000	101.1747	202,349
B71307-01	maturity date 2022.09.08	200,000	200,000	100.8985	201,797
B71308-01	maturity date 2023.11.08	100,000	100,000	101.4110	101,411
B71308-02	maturity date 2023.11.08	100,000	100,000	101.4110	101,411
B71308-03	maturity date 2023.11.08	100,000	100,000	100.4110	101,411
B71889-01	maturity date 2024.09.20	100,000	100,000	101.7559	101,760
B71895-01	maturity date 2027.06.02	100,000	100,000	100.8335	100,833
B71895-02	maturity date 2027.09.02	100,000	100,000	100.8335	100,833
B801AD-01	maturity date 2023.07.12	100,000	101,825	102.0493	102,049
B84704-01	maturity date 2023.06.15	300,000	300,000	101.1232	303,370
B87201-01	maturity date 2022.12.12	100,000	100,000	100.2716	100,272
B87201-02	maturity date 2022.12.12	100,000	100,000	100.2716	100,272
B87201-03	maturity date 2022.12.12	100,000	100,000	100.2716	100,272
B903WR-01	maturity date 2023.08.15	100,000	100,000	101.6165	101,617
B903WX-01	maturity date 2024.04.25	150,000	150,000	101.4447	152,167
B903WX-02	maturity date 2024.04.25	50,000	50,000	101.4447	50,722
B94642-01	maturity date 2024.12.20	100,000	100,000	102.4854	102,485
B94703-01	maturity date 2023.04.27	100,000	100,000	101.3605	101,361
B94703-02	maturity date 2023.04.27	200,000	200,000	101.3605	202,721
B97918-01	maturity date 2022.08.10	100,000	100,000	100.4277	100,428
B97919-01	maturity date 2023.07.25	100,000	100,000	100.3744	100,374
B97919-02	maturity date 2023.07.25	100,000	100,000	100.3744	100,374
B98411-01	maturity date 2023.09.26	200,000	200,000	101.4118	202,824
B99103-01	maturity date 2023.05.08	100,000	100,000	101.3041	101,304
B99103-02	maturity date 2023.05.08	100,000	100,000	101.3041	101,304
B9A101-01	maturity date 2023.01.09	100,000	100,000	101.1696	101,170
B9A101-02	maturity date 2023.01.09	100,000	100,000	101.1696	101,170
B9A101-03	maturity date 2023.01.09	100,000	100,000	101.1696	101,170
B9A501-01	maturity date 2024.04.26	200,000	200,000	100.5555	201,111
B9A502-01	maturity date 2026.04.26	100,000	100,000	102.3857	102,386
			\$ 8,862,057		8,956,709

COTA COMMERCIAL BANK CO., LTD.

Statement of Financial Instruments at Fair Value through Other Comprehensive Income For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Equity instrument:

	Ве	ginnir	ng	Current	increase	Current	decrease	Value ac	ljustment	End	ding	Guarantee or pledge
Instruments	Shares	Boo	ok value	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Provided
Taiwan Asset Management Corporation	6,000	\$	56,940	-	-	-	-	-	10,560	6,000	67,500	None
Taiwan Financial Asset Service Corp., Ltd.	5,000		42,350	-	-	-	-	-	1,200	5,000	43,550	None
Taiwan Depository & Cleaning Corp., Ltd.	315		33,694	8	-	-	-	-	11,281	323	44,975	None
Sunny Asset Management Corporation	25		253	-		-		-		25	253	None
Total		\$	133,237						23,041		156,278	

Note: The current increase of Taiwan Depository & Cleaning Corp., Ltd. is the number of shares received from the distribution of stock dividends in 2020.

COTA COMMERCIAL BANK CO., LTD. Statement of Financial Assets Measured at Amortized Cost December 31, 2020

Name of bonds	Summary	Total par value	Current amortization	Book value	Note
Government bonds					
A04105	maturity date 2025.03.13	\$100,000	40	100,172	Total guarantee in 48,500 thousand dollars
A06104	maturity date 2027.03.01	200,000	158	201,007	Total guarantee in 27,400 thousand dollars
A92103	maturity date 2023.02.18	50,000	535	51,166	Total guarantee in 1,100 thousand dollars
A95107	maturity date 2026.11.10	500,000	5,663	534,235	Total guarantee in 84,600 thousand dollars
A98102	maturity date 2029.02.16	100,000	899	107,694	Total guarantee in 50,000 thousand dollars
Subtotal		950,000		994,274	
Less: Allowance for loss				(206)	
		950,000		994,068	
Corporate bonds					
B20246-01	maturity date 2027.04.15	100,000	-	100,000	
B30434-01	maturity date 2021.06.23	25,000	20	25,008	
B50160-01	maturity date 2024.04.29	150,000	307	151,030	
B69401-01	maturity date 2024.07.26	100,000	-	100,000	
B702AG-01	maturity date 2026.01.17	200,000	1,593	207,477	
B84305-01	maturity date 2024.12.25	200,000	-	200,000	
B97203-01	maturity date 2025.08.14	200,000	-	200,000	
B97626-01	maturity date 2022.06.18	100,000	-	100,000	
B97626-02	maturity date 2022.06.18	100,000	-	100,000	
B97626-03	maturity date 2022.06.18	100,000	-	100,000	
B97626-04	maturity date 2022.06.18	200,000	-	200,000	
B97628-01	maturity date 2024.10.07	100,000	164	100,627	
B9A503-01	maturity date 2025.04.22	100,000	-	100,000	
B9A503-02	maturity date 2025.04.22	100,000	-	100,000	
B9A504-01	maturity date 2023.08.13	100,000	-	100,000	
B9A801-01	maturity date 2024.09.17	100,000	-	100,000	
B9A801-02	maturity date 2024.09.17	100,000	-	100,000	
B9A801-03	maturity date 2024.09.17	100,000	-	100,000	

Name of bonds	Summary	Total par value	Current amortization	Book value	Note
B9A801-04	maturity date 2024.09.17	200,000	-	200,000	
Subtotal		2,375,000		2,384,142	
Less: Allowance for loss				(1,635)	
		2,375,000		2,382,507	
Negotiable certificates of deposits		15,380,000		15,380,000	
Less: Allowance for loss				(134)	
		15,380,000		15,379,866	
Financial bonds					
U.S. short-term auction interest rate ARS bonds	maturity date 2042.03.25	65,548	-	57,016	
Australian West Pacific Mid-term U.S. dollar denominated ordinary corporate bonds	maturity date 2021.05.13	61,466	-	56,800	
National Australia Bank mid-term dollar denominated ordinary corporate bonds	maturity date 2021.07.12	61,466	-	56,594	
Subtotal		188,440		170,410	
Less: Allowance for loss			-	(7,267)	
		188,440	-	163,143	
Deposits from other banks	maturity date 2021.01.16	1,000	-	1,000	
		<u>\$ 18,894,440</u>	-	18,920,584	

${\bf COTA}\ {\bf COMMERCIAL}\ {\bf BANK}\ {\bf CO.}, \ {\bf LTD.}$

Statement of Securities Purchased under Resell Agreements December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	 Book value	Note
Commercial paper	\$ 9,065,626	2021.01.04~2021.01.18 rate 0.21%~0.24%
Corporate bonds	2,002,944	2021.01.04~2021.01.14 rate 0.22%~0.24%
Government bonds	 761,939	2021.01.04~2021.01.11 rate 0.22%~0.23%
	\$ 11,830,509	

Statement of Receivables

Item Summary		Amount	
Interest receivable			
	Loans	\$	120,867
	Corporate bonds		73,308
	Due from Central Bank and call loans to banks interest		4,151
	Other		848
	Subtotal		199,174
Credit card accounts receivable			130,292
Accrued income			9,321
Acceptances receivable			3,338
Dividends receivable			2
Guarantee payments receivable			5,664
Others			38,771
Subtotal			386,562
Less: Allowance for doubtful accounts			(52,330)
Total		\$	334,232

COTA COMMERCIAL BANK CO., LTD. Statement of Discounts and Loans December 31, 2020

ltem	Amount
Pledge overdraft	\$ 14,856
Short-term loans	1,933,092
Short-term secured loans	8,893,267
Medium-term loans	14,106,32
Medium-term secured loans	63,991,474
Long-term loans	1,628,71
Long-term secured loans	30,669,200
Non-accrual loans	177,386
Subtotal	121,414,307
Less: Allowance for bad debts	(1,711,71
Adjustment of discount and premium	(252,442)
Total	\$ 119,450,148

COTA COMMERCIAL BANK CO., LTD.

Statement of Changes in the Property and Equipment

For the year ended December 31, 2020

ltem	Beginning Balance	Current Increase	Current Decrease	Reclassify	Ending Balance	Note
Cost:						
Land	\$ 815,829	-	-	-	815,829	
Buildings	629,421	-	-	-	629,421	
Machinery equipment	154,741	14,283	(24,942)	2,015	146,097	
Transportation equipment	35,448	677	(599)	-	35,526	
Miscellaneous equipment	211,741	8,518	(722)	-	219,537	
Leasehold improvements	96,756	10,493	(7,607)		99,642	
Subtotal	1,943,936	33,971	(33,870)	2,015	1,946,052	
Accumulated depreciation:						
Buildings	287,214	12,007	-	-	299,221	Note 1
Machinery equipment	110,119	11,712	(24,942)	-	96,889	Note 1
Transportation equipment	19,063	3,542	(494)	-	22,111	Note 1
Miscellaneous equipment	173,982	9,389	(722)	-	182,649	Note 1
Leasehold improvements	66,510	8,399	(5,796)		69,113	Note 1
Subtotal	656,888	45,049	(31,954)		669,983	
Accumulated impairment:						
Buildings	8,428				8,428	
Property and equipment-net	\$ 1,278,620	(11,078)	(1,916)	2,015	1,267,641	

Note 1: Depreciation is computed using the straight-line method over service lives estimated as follows: buildings, 5 to 80 years; machinery equipment, 1 to 20 years; transportation equipment, 4 to 10 years and miscellaneous equipment, 1 to 50 years, and leasehold improvements, 5 to 20 years.

COTA COMMERCIAL BANK CO., LTD. Statement of changes in Investment Property For the year ended December 31, 2020

ltem	. <u> </u>	Beginning Balance	Current Increase	Current Decrease	Ending Balance	Note
Cost:						
Land	\$	1,106,520	-	-	1,106,520	
Buildings		69,277			69,277	
		1,175,797			1,175,797	
Accumulated depreciation:						
Buildings		39,473	1,149		40,622	60 years of straight-line method
Accumulated impairment losses:						
Land		1,765	_		1,765	
Investment Property, net	\$	1,134,559	(1,149)		1,133,410	

COTA COMMERCIAL BANK CO., LTD.

Statement of changes in Intangible Assets For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

ltem	eginning Balance	Current Increase	Current Decrease	Ending Balance	Note
Goodwill	\$ 154,027	-	-	154,027	
Computer software	 18,134	12,996	807	30,323	
	 172,161	12,996	807	184,350	
Accumulated amortization:					
Computer software	 8,693	3,432	807	11,318	Straight-line basis 1~10 years
Accumulated impairment losses:					
Goodwill	 51,738			51,738	
Intangible assets, net	\$ 111,730	9,564		121,294	

Statement of Other Assets

ltem	Amount	_
Prepaid expenses	\$ 26,13	0
Prepaid pension cost	43,06	9
Refundable deposits	65,54	4
Other	5,97	6
	140,71	9
Guarantee deposits	162,60	0
Less: Securities for guarantee deposits	(162,60	<u>(0)</u>
Total	<u>\$ 140,71</u>	9

COTA COMMERCIAL BANK CO., LTD. Statement of Payables December 31, 2020

ltem	 Am	ount	
Collection payable		\$	52,355
Interest expenses			111,050
Demand savings deposits interest	\$ 52,439		
Time deposits interest	26,100		
Financial debentures interest	17,080		
Other	 15,432		
Accrued expenses			333,752
Bonus and salaries	183,711		
Compensation of employee and remuneration of directors	74,319		
Labor and health insurance expense	17,600		
Other	 58,122		
Tax payable			29,660
Checks for clearance payable			147,248
Other payable			57,720
Seize or offset	8,585		
Stock refundable	11,434		
Dishonored account	2,745		
Retention stop payment	2,922		
Payment on hand	5,483		
Other	 26,551		
		\$	731,785

COTA COMMERCIAL BANK CO., LTD. Statement of Deposits and Remittances December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Summary Summary	 Amount
Checking accounts		\$ 1,998,472
Cashier's checks		508,152
Demand deposits		26,249,602
Time deposits		31,240,664
Demand savings deposits	Demand savings deposits	44,467,178
	Staff demand savings deposits	886,962
	Installment saving deposits	129,264
	Round-amount savings deposits	6,732,136
	Withdrawals of interest savings deposits	50,017,576
Remittances outstanding		 9,971
		\$ 162,239,977

Statement of Financial Debentures Payable

Name Debentures	Starting	Maturity	Interest rate %	Genus	Value	Book value
105-1	2016.11.16	2023.11.16	2.1%	Unsecured subordinated debenture	\$ 1,800,000	1,800,000
107-1	2018.6.21	No due date	Adjustable Rates for Consumer Loans add 3.06%	Unsecured subordinated debenture	600,000	600,000
107-2	2018.12.12	2025.12.12	1.95%	Unsecured subordinated debenture	600,000	600,000
					\$ 3,000,000	3,000,000

COTA COMMERCIAL BANK CO., LTD. Statement of Provisions December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(r) for Provisions.

Statement of Other Liabilities

ltem	 Amount
Advance interest receipts	\$ 297,876
Temporary receipts and suspense accounts	74,161
Other advance receipts	42,455
Guarantee deposits received	6,762
Deferred revenue	 52
	\$ 421,306

COTA COMMERCIAL BANK CO., LTD.

Statement of Net Interest Income

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

ltem	Amou	unt	
Interest Income		\$	3,346,291
Short-term secured deposit interest	193,254		
Medium-term deposit interest	441,099		
Medium-term secured deposit interest	1,592,254		
Long-term secured deposit interest	556,612		
Short-term investments and Bond interest	217,050		
Other (Note)	346,022		
Interest Expense			886,866
Time deposits interest	187,559		
Demand deposit interest	49,945		
Withdrawals of interest savings deposits interest	462,230		
Round-amount savings deposits interest	53,585		
Negotiable certificate of deposits interest	36,303		
Financial debentures interest	73,542		
Other (Note)	23,702		
Net Interest Income		\$	2,459,425

Note : Each accounts does not exceed 5% of the ending balance.

COTA COMMERCIAL BANK CO., LTD. Statement of Service Fee Income For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(z) for Service Fee Income.

Statement of Gains and Losses on Financial Assets or Liabilities at Fair Value through Profit or Loss

Item	A	mount
Gain on disposal of financial assets, net	\$	11,388
Gain on valuation of financial assets, net		1,740
Loss on valuation of financial liabilities, net		(1,017)
Dividend income		1,497
Interest income		19,589
	\$	33,197

COTA COMMERCIAL BANK CO., LTD.

Statement of Other Net Non-interest Income (Loss)

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	Amount
Income from other non-interest	
Rental income	\$ 20,161
Gain on disposal of assets	119
Gain on lease revised	600
Miscellaneous income	3,471
	24,351
Expense from other non-interest	
Loss on disposal of assets	1,811
Miscellaneous expenses	17
Other operating reserve	1,365
	3,193
	<u>\$ 21,158</u>

Statement of Provisions for Bad Debt Expenses and Guarantee Reserve

Please refer to note 6(g), (h) and (s) for debts expense and guarantee liability provision.

COTA COMMERCIAL BANK CO., LTD. Statement of Employee Benefits Expenses For the year ended December 31, 2020

<u> </u>	oyee benefits expenses	Other net non-interest income	Other general and administrative expenses	Total
Salaries	\$ 1,045,799	-	-	1,045,799
Labor and health insurance	83,062	-	-	83,062
Pension	47,536	-	-	47,536
Remuneration of directors	34,456	-	-	34,456
Other	93,008	-	-	93,008

COTA COMMERCIAL BANK CO., LTD. Statement of Employee Benefits Expenses For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

The additional information about the number of employees and personnel expenses as of 2020 and 2019 are as below:

	2020	2019
Number of employees	1,109	1,120
Number of directors who are not employees	14	14
Average employee benefits	\$ 1,159	1,174
Average salary expense	\$ 955	966
The percentage of change between two years	(1.14)%	0.94%
Supervisor remuneration	\$ -	-

The Company's remuneration policy (including directors, managers and employees) is as below:

- 1. The remuneration policy includes the remuneration paid to directors and employees, holiday bonus and bonus (including performance bonus, review bonus, incentive bonus, annual bonus, etc.). In addition, the directors' remuneration also includes the directors' remuneration, monthly directors' remuneration and transportation allowance.
- 2. The standard of payment for directors should be in accordance with the provisions stated in the "Company's Articles of Association" and the "Director Employee's Remuneration Policy" and should be submitted to the Board of directors for discussion and approval according to the degree of the individual's participation in the operations of the Company and to the level of the other banks concerned.
- 3. Remuneration for president and vice president is paid in accordance with the rules approved by the board of directors. Payment of employee salary is calculated based on related laws.
- 4. All bonuses should be awarded in consideration of the Company's financial position, risk management, group (individual) evaluation score and equity principle. The key points for group (individual) evaluation should be approved by the general manager.
- 5. Based on the performance indicators of the Company (as a whole and per individual), the performance evaluation points of the business unit, management performance assessment points, and the performance of every individual, are also taken into consideration.
- 6. Based on future risk considerations, the annual bonus for managers will be deferred to 8% before the end of January of the following year, and the quarterly bonus for account management commissioner and head of account management will be deferred to 20% before the end of the year.

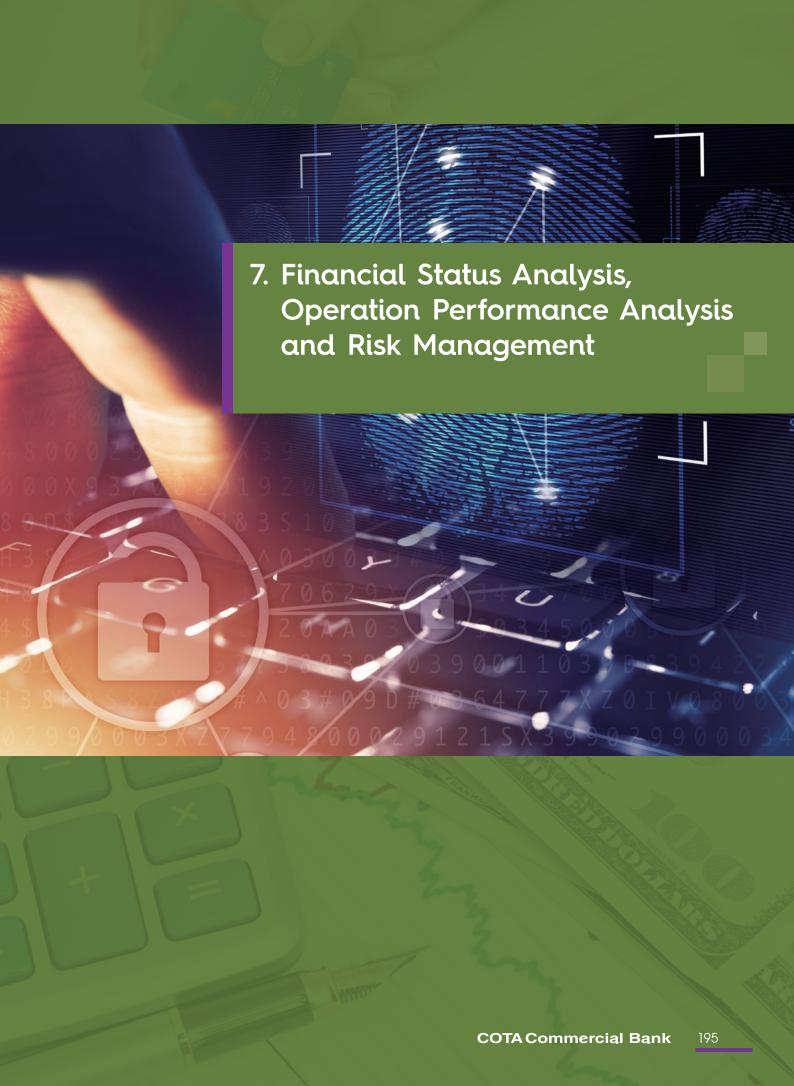
COTA COMMERCIAL BANK CO., LTD. Statement of Depreciation and Amortization Expenses

Please refer to note 6(i), (j), (k), (l) and (ah) for depreciation and amortization.

Statement of Other General and Administrative Expenses

Please refer to note 6(ai) for other general and administration expenses.





7. Financial Status Analysis, Operation Performance Analysis and Risk Management

7-1. Financial Status

Unit: TWD thousand

Year	2020	2020 2019		Difference		
Item	2020	2019	Amount	%		
Total Asset	179,745,958	169,865,083	9,880,875	5.82		
Total Liability	167,212,413	158,405,314	8,807,099	5.56		
Total Equity	12,533,545	11,459,769	1,073,776	9.37		

Remarks: Equity increased was due to Capital Increased by earnings and retained earnings.

7-2. Operation Performance

Unit: TWD thousand

Year	2020	2019	Increase/Decrease Amount	Increase/Decrease Ratio (%)
Interest income	3,346,291	3,605,294	(259,003)	(7.18)
Interest expense	886,886	1,066,598	(179,732)	(16.85)
Non-interest income, net	259,342	430,924	(171,582)	(39.82)
Net revenue	2,718,767	2,969,620	(250,853)	(8.45)
Bad debt expense	7,637	159,681	(152,044)	(95.22)
Operating expense	1,856,458	1,920,907	(64,449)	(3.36)
Income before income tax	854,672	889,032	(34,360)	(3.86)
Net income	694,017	748,626	(54,609)	(7.29)

Remarks of Ratio Changes analysis:

7-3. Cash Flow

7-3-1. Cash Flow Analysis for the Past Year and Remedy for Shortage of Liquidity:

Unit: TWD thousand

Initial Cash Residual	Yearly Operating Cash Flow	Yearly Cash Inflow	Residual Cash Amount (deficiency)	Cash De Continge	eficiency ency Plan
(1)	(2)	(3)	(1)+(2)+(3)	Investment Plan	Financial Plan
6,539,392	908,060	445,213	7,892,665	-	-

Remarks:

- 1. Cash Flow Analysis
 - (1) Operating activities: The net cash inflow from operating activities due primarily to loans, deposits remittances and investment in financial products
 - (2) Investing activities: The net cash inflow from investing activities due primarily to purchase or sell property or equipment.
- (3) Financial activities: The net cash outflow from financial activities due issuing and repaying financial bonds or cash dividend distribution.
- 2. Improvement plan on shortage of liquidity: Not applicable as an occurrence of shortage.

^{1.} Interest income and Interest expense decreased in 2020 was due to the central bank cuts interest rates in response to the impact of the COVID-19, the bank deposits and lending rates are also reduced

^{2.} Net non-interest income decreased by TWD171,582 thousand was due to gain on asset reversal of impairment loss in 2019 TWD127,092 thousand ,FVPL decreased by TWD15,117 thousand, exchange gains and losses decreased by TWD18,715 thousand.

^{3.} Bad debt expense decreased was due to the quality increase on loan.

7-3-2. Cash Flow Analysis for Coming Year

Unit: TWD thousand

Initial Cash Residual	Estimated Yearly Operating Cash	Estimated Yearly Cash Inflow	Estimated Residual Cash		eficiency ency Plan
Ouoii Neoidudi	Flow	Odon mnow	Amount(deficiency)	Investment	Financial
(1)	(2)	(3)	(1)+(2)+(3)	plan	Plan
7,892,665	(1,471,599)	(278,765)	6,142,301	-	-

Remarks:

7-4. Impact of Major Capital Expenditures in Recent Year

7-4-1. Utilization of major capital expenditures and sources of Funds: None

7-4-2. Expected potential benefit: None

7-5. Reinvestment Policy, Improvement Plan and Investment Plan in Next Year

7-5-1. Reinvestment Policy

The reinvestment items major in financial business of COTA Bank and the goal of holding long-term earned dividends. Regarding new reinvestment, the authorized unit shall submit proposal to "Asset, Liability and Risk Management Committee" for discussion and then get approval from standing committee of board. The authorized unit shall closely monitor operation and financial condition of invested companies and report to "Asset, Liability and Risk Management Committee" in timely basis to ensure investment performance.

7-5-2. Source of Profit

The cash dividend from reinvest companies:

Taiwan depository and clearing corporation; Taiwan Financial Asset Service Corp.; Taiwan Asset Management Corp.; Sunny Asset Management Corp.

7-5-3. Improvement Plan

Establishment Insurance Agency Department in 2017.5.1, the Bank will merge COTA Bank Insurance Broker Co., Ltd. to the Bank's Insurance Agency Department. The Bank will actively cooperate with major insurance companies to introduce appropriate products to meet customers' needs. The Bank will provide proper training to employees that may help customers to realize their actual demands, to perform the function of the insurance, to bring safety feeling to customers, and to increase the Bank's insurance premium income.

7-5-4. Investment Plan in Next Year

The Bank sets its main operation target in banking business, therefore no new reinvestment plan undertaking for coming year.

The Bank predicts that the net cash outflow from operating activities will be TWD 1,471,599 thousand in 2021. In addition, the Bank estimates the cash outflow from investment and financial activities will be TWD278,765 thousand due to property and equipment purchase, and cash dividend distribution.

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

7-6. Risk Management

7-6-1. Financial Risk Information

7-6-1-1. Credit Risk

Credit Risk Management System

Year 2020

Items	Contents
Strategies, Objectives, Policies, and Processes	The Bank's credit risk policies and processes comply with Basel II and supervisory regulations. The Bank also created credit risk guidelines in written form such as the code of credit, the bylaws of credit information, the law of the credit responsibility and accountability, the bylaws of handle collateral, the business strategy and law of financial derivatives and all kinds of operation handbooks. They provide strict standard on loans, monitor credit risk, and manage non-performing loans. At the same time, since the change in economic cycle will affect the quality of the loan portfolio, the Bank will execute credit policies to ensure credit exposures under control. The Bank will consider developing the internal credit scoring system. The system will identify and estimate risks from all credit exposures. The Bank established a framework for managing credit risk. The framework may execute risk analysis and monitor risk process. It also may discover potential risks that the Bank may response
	adequately. In addition, it may assess the relation between risk and return to ensure the goal of the Bank's business.
The Structure, and Organization of the Risk Relevant Management Function	 (1) The Board of Directors: The Bank's board of directors is the supervisor of credit risk management. The board is responsible for the Bank's business strategies and operation guidelines, and is responsible for reviewing credit risk framework and policies. It also authorizes management to execute credit risk management. (2) Asset, Liability and Risk Management Committee: The committee executes the board's risk polices and reports risk profile to the board. (3) Credit Reviewing Committee: The committee reviews the large amount of loans, specific non-performing loans, and the appointed loans. (4) Risk Management Center: The subcommittee integrates credit risk strategies, designs processes, and introduces credit identification, measurement, monitor, and reporting systems. (5) Other Bank's Units: They should understand credit risks under any circumstances, should deal with the assignment of risk management, and should assist risk management subcommittee in risk monitor. (6) Audit Office: The office should establish audit plan and process, and should review the Bank's credit and investment risks at least once a year.
The Scope and Nature of the Risk Reporting and/or Measurement Systems	The Bank adjusts credit risk system to produce enough information according as the change of loan portfolio. The information includes: statistics of pass due loans, evaluation of non-performing loans, and statistics of large amount credit exposure. The board and senior management will receive the information periodically, and will make appropriate business and credit risk decision. In addition, the credit risk measurement to the Bank considers the following factors: (1) Loan characteristics, contract contents, and customers' financial conditions (2) The possible effect of the exposures from market change (3) Collateral and guarantee (4) The possible future risk change of the customers or counterparties (5) Besides specific trading risks, measuring loan portfolio risks The Bank gradually establishes internal rating framework and measures and analyzes loan risks through quantitative indexes and qualitative methods.

Items	Contents
4. Policies for Hedging and/ or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	The Bank follows the diversified principal on loans and complies with loan limit regulations such as the same person, the same party, relative corporation, stakeholder, and stocks as collateral for the loan. To avoid credit concentration risk, the Bank reviews and adjusts credit exposures regularly. For controlling the quality of the loan assets and mitigating credit risks, the Bank depends on the credit condition of the borrowers and uses a number of techniques to mitigate the credit risks. For example, the Bank demands collateral and guaranteeetc.
	The Bank had formulated "The Directions of lending rate pricing". The standard of lending rate considered the market rate, capital cost, operating cost, risk expected loss cost, reasonable profit. For market competition, the customer integral contribution will be the factor of lending pricing.
	The Bank had formulated "The Directions of the Loan Reviewing Operation" which reviews and follows the cases of the loan and strengthens after-loan management. If the Bank discovers the doubtful loans in the process, it should take necessary measures to protect debt obligations. In order to maintain an effectively monitors hip over credit risk, the Bank had established the indexes of the risk evaluation that regularly monitor the change of them and help to estimate the potential reasons of the future risk occurrence.
Approach for calculating the Bank's capital requirement	Standardized approach

Exposure amount after risk mitigation and capital requirement of the standard approach Dec. 31, 2020

Unit: TWD thousand

Category	Exposure amount after risk mitigation	Capital Requirement
Sovereigns	25,476,879	30,288
Non central government public sector entities	570,733	11,985
Banks (multilateral development banks)	3,506,924	93,956
Corporate (Securities firm and insurance companies)	29,870,588	2,970,017
Regulatory retail portfolios	86,322,045	7,202,327
Secured by residential property	14,162,235	884,394
Equities investment	156,278	16,409
Other assets	4,352,286	323,441
Total	164,417,968	11,532,817

Note: Accrued capital is multiplied by risk allowances and statutory minimum capital adequacy ratios for risk offsets.

7-6-1-2. Assets Securitization Risk

Assets Securization Risk Management System Year 2020

Items	Contents
1. Strategies and Processes	The Bank does not play the role such originator, service, credit enhance agency, or financial liquidity provider and expects to be an investor. The internal regulations for securitizations concentrate on the investor field. If there is necessary on originator field, it will be created in the future.
	Not only the Bank obeys article 74-1 of the Banking Act, but also it had formulated some investment limits such as total position limit, underlying instrument limit, and internal authorized limit.

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

Items	Contents
The Structure, and Organization of the Risk Relevant Management Function	 (1) The Board of Directors: The Bank's board of directors is the supervisor for securitization risk management. The board is responsible for the Bank's business strategies, and is responsible for reviewing securitization decisions.
The Scope and Nature of the Risk Reporting and/or Measurement Systems	The Bank reports the periodic information of the securitization exposures to the senior management. It also disclosures in the annual report and on the website. The principal of the valuation should confirm the criteria of methodology and the fairness of the data. Furthermore, the managing reports should effectively control exposure positions and should provide appropriate measurement results to assist risk management processes.
Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	The Bank regularly accesses the effectiveness of the strategies of the hedge positions and reviews the limits of the securitizations investment according to the volatility of the market prices. Both of the strategies and limits will report to Investment Subcommittee and make decision. Mitigations such as collaterals, guarantee, and credit derivatives apply to the standardized approach of the credit risk.
Approach for calculating the Bank's capital requirement	Standardized approach
 6. General periodic disclosures including: The purpose of securitization and the types of risks borne and retained by the Bank for resecuritization Other risks associated with securitized assets(e.g. liquidity risk) The different roles played by the Bank Asset securitization and the level of participation in every stage Describe the monitoring procedures adopted for credit risk and market risk exposures associated with asset securitization Risk management policies adopted by the Bank to mitigate credit risks associated with securitization and re-securitization 	Not applicable

Items	Contents
Provide an overall description of the Bank's accounting policies on securitization	Not applicable
8. The name of the external Credit Assessment Institution(ECAI) engaged for asset securitization within the Banking book and the ECAI's involvement in every type of securitized asset	Not applicable
9. Describe any material changes of quantitative information since the last reporting period (e.g. shift of asset balances between the Banking book and the trading book)	Not applicable

Remarks:

Item6-9 only applicable to Originating Banks which there is flow in the external position

The undertaking of securitization: None

The original cost of the investing securitization product over TWD300 million in single deal: None

The holding positions due to credit enhancement purpose as an originator: None

As a credit enhancement agency or liquidating assets agency: None

As a guarantee agency or financial liquidity provider: None

Assets securitization exposures and capital requirements Dec. 31, 2020

Unit: TWD thousand

		Traditional			Synthetic		TOTAL											
		Pur	Risk Exposures			Capital	Risk Exposures	Capital	Risk	Capital	prior to Securitization							
			Purchasing or Holding	Provide Liquidity Facility	Provide credit enhancement	Sub- Total(1)	Requirements (2)	Purchasing or Holding(3)		Exposures (5)=(1)+(3)	Requirements (6)=(2)+(4)	Capital Requirements						
	Banking	Asset-	Durchasina			10 010	797			40.040	797							
Non-	Book	based securities	Purchasing	-	-	49,818	191	-	-	49,818	191	-						
Originating																		
Bank Book -	-	-		-			-	-	-	-	-							
	Sub-Total	-	-	-	-			-	-	-	-	-						
	Banking															_	_	
0 · · · · · ·	Book	-	-	-	-			_	-	_	-	_						
Originating Bank	Trading																	
Book	-	_	-	-			_	-	_	-	-							
	Sub-Total	-	-	-	-			-	-	-	-	-						
TOT	ΓAL	-	-	-	-	49,818	797	-	-	49,818	797	0						

Filling out forms to help:

- 1. The "Asset Class" column, depending on the type of asset issued securitized (e.g. credit card, home equity loan, auto loan) or the type of securities invested (e.g.Subdivision of mortgage basic securities, commercial real estate basic securities, asset-based securities and secured creditor's rights certificates).
- 2. The amount of the excess risk in the bank book shall be filled with the amount of the risk insurance after the risk is offset.
- 3. The column "Providing liquidity financing limits" should include the amount of insured and unmoved.

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

7-6-1-3. Operational Risk

Operational Risk Management System

Year 2020

Items	Contents
Strategies and Processes	The Bank's operational strategies and processes are restrained the division of labor, employees training, effective control framework, and internal control procedure of each level. In aspect of internal control, the Bank had fully formulated the system of the internal audit, self-audit, law obedience, and business operational rules that may to search on the internal website for employees' real time operation. The Bank reduces operational loss by internal and external audit to monitor and trace the risks. In order to assist all employees executing the processes of the operational risk, Risk Management Center is developing applied implements for managing operational.
2. The Structure and Organization of the Relevant Risk Management Function	 (1) The Board of Directors:
The Scope and Nature of the Risk Reporting and/or Measurement Systems	The Bank had established the operational processes for business practices. The processes have been executed on daily operation management and to reduce the occurrence of the operational risk. The executive circumstance of the internal and external audit, self-audit, and the system of law obedience regularly reports to the board. The Bank adopts Supervisory regulation to classify loss event types and executes reporting system of the loss data of the operational risk and establishes whole bank's loss database of the operational risk. The Bank reports the periodic information of the operational risk to the Asset and Liability Management Committee and The Board of Directors. The Bank conducts the self-assessment of the operational events before the end of May every year, compliance system, internal audit system, and self-inspection system to manage and reduce operational risk.
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges / Mitigations	The Bank hedges and mitigates risks through strengthening internal control system, implementing operational risk monitor, training employees, insurance, and outsourcing. The Bank's emergency center and crisis subcommittee had formulated the strategic manual of the disasters and the contingency measures of the operating crisis to ensure every business that may continue to operate normally when the crisis occurs and to protect significant loss of the Bank.
5. Approach for calculating the Bank's capital requirement	Basic indicator approach

The Operational Risk Capital Charge Dec. 31, 2020

Unit: TWD thousand

Year	Annual Gross Income	Capital Charge
2018	2,893,939	
2019	2,880,956	
2020	2,720,687	
Total	8,495,582	424,779

7-6-1-4. Market Risk

Market Risk Management System

Year 2020

Items	Contents
Strategies and Processes	In order to establish effective market risk management system, the Bank formulated market risk managing standard and other related regulations for the benchmark of the market risk management. To ensure the Bank's market risk under control, the functional responsibility divides into trading and settlement, and will involve in risk control system. The system is responsible for the risk identification, measurement, monitor, and reporting procedure. The strategies of the Bank's market risk are as follows: considering the characteristic of each
	instrument and market condition, regularly measuring endurable risks, expecting balance of returns and risks, optimizing investment allocation. The purpose of all strategies is to improve performance. On the other hand, the Bank formulated a limit system to effectively control risks and reduce exposures.
The Structure and Organization of the Relevant Risk Management Function	 (1) The Board of Directors: The Bank's board of directors is the supervisor for risk management. The board is responsible to review market risk management system and market risk strategies, and to ensure the system reflects the Bank's business strategies. (2) Asset, Liability and Risk Management Committee:
	The committee executes risk management strategies and frameworks that the board of directors had approved. In addition, the committee is responsible to review the principals, strategies, and monitoring indexes of the risk managing system and to coordinate and monitor each risk management relative to matters. (3) Investment Subcommittee:
	The subcommittee plans investment strategies and makes decision what the positions should be sold or hold. (4) Risk Management Center:
	The subcommittee draws strategies and processes of the market risk management, designs and introduces risk identification, measurement, monitor, and reporting system. (5) Related Units:
	They execute necessary duties of the risk management such monitoring traders and cooperate with Risk Management Center to finish each item of the risk monitor. (6) Audit Office:
	The office should establish audit plan and process, and should review the Bank's risk management at least once a year.
The Scope and Nature of the Risk Reporting and/or Measurement Systems	Market risk information system should be able to control exposures and provide appropriate risk measurement results. For the purpose of the evaluation, the positions divide into trading book and banking book. The banking book positions evaluate once a month, the trading book positions evaluate on a daily basis. The information about gain/loss and exposures will deliver to management which includes market risk management reporting, derivative financial instruments gain/loss assessment. As close to gain/loss the stop-loss warning of pointers would keep attention to the market changes and take measure to avoid over-limit. Related Units monitor the position

Financial Status Analysis, Operation Performance Analysis and Risk Management

Items	Contents			
	of TWD and foreign currency assets, gain/loss and stop-loss alert system for keep the market risk within the limits of the bank strength. In 2015, the Bank will use the PIRS system established by TEJ to pricing Bonds, CBAS, Option to reflect the real market price and compliance with regulations.			
4. Policies for Hedging and/ or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	The Bank's hedging strategy of the financial products include to use spots or derivatives to evade market price risks and to review each risk limit regularly such as trading position limits, traders' position limits, and stop loss limits. If the assessment indicates the risk overloaded, the Bank will transfer risks and reduce exposures. If dealers exceed their position limits, Risk Management Center should inform the facts and procedures to management and report daily until under limits. If dealers exceed their stop loss limits, they are required to execute positions.			
5. Approach for calculating the Bank's capital requirement	Standardized approach			

The Market Risk Capital Charge Dec. 31, 2020

Unit: TWD thousand

Risk Category	Capital Charge
Interest Rate Risk	217,445
Equity Position Risk	17,869
Foreign Exchange Risk	58,159
Option Position	0
Total	293,473

7-6-1-5. Liquidity Risk

According to operating cash flow, market movement, and minimum requirement of the liquidity reserves ratio, the Bank diversifies funding resources and maintains funding stability. Short-term investment considers the safety of the underlying assets, marketable on the secondary market, and lower liquidity risk such as NCDs, treasury bonds, corporate bonds, and bank debentures. The Bank takes some steps to manage liquidity, for example, monitoring the structural change of assets and liabilities in each period, editing "The Gapping Report of the TWD Cash Flow" weekly, making the reporting sheets of the risk management every month and reporting to Asset and Liability Management Committee, and transferring and operating funds effectively.

According to "Standards Implementing the Liquidity Coverage Ratio of Banks" promulgated by FSC and the Central Bank on Dec. 29, 2014, our bank Liquidity Coverage Ratio (LCR) was 503.48% which meets the minimum required 100% set by the competent authority.

The Bank's Net Stable Funding Ratio (NSFR) for the fourth quarter of 2020 was 138.33%, which meets the requirement of a ratio of no less than 100%.

Analysis for Time-to-Maturity of the Bank's TWD Assets and Liabilities as of Dec. 31, 2020

Unit: TWD thousand

	Total	Volumes during the period prior to the due date						
	Total	0~10 Days	11~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	
Major inflows of matured funds	177,109,704	18,881,501	17,662,565	4,291,251	6,403,922	14,411,897	115,458,568	
Major outflows of Matured funds	192,022,165	4,827,336	10,147,900	24,284,545	31,441,113	49,462,410	71,858,861	
Maturity Gap	(14,912,461)	14,054,165	7,514,665	(19,993,294)	(25,037,191)	(35,050,513)	43,599,707	

Note: The bank portion refers to the amount of TWD in the whole bank.

Analysis for Time-to-Maturity of the Bank's USD Assets and Liabilities as of Dec. 31, 2020

Unit: USD thousand

	Total	Volumes during the period prior to the due date					
	Total	0~30 days	31~90 days	91~180 days	181 days - 1 year	Over 1 year	
Major inflows of matured funds	138,712	71,690	37,025	3,847	3,735	22,415	
Major outflows of Matured funds	138,712	50,390	12,090	5,630	9,507	61,095	
Maturity Gap	0	(21,300)	24,935	(1,783)	(5,772)	(38,680)	

Note: The bank portion refers to the amount of USD in the whole bank.

7-6-2. Impact of Alterations in Domestic and Foreign Major Polices and Laws on the Bank's Financial Operations and Adopting Measures

7-6-2-1 Internal Control Principles for Prevention of Misappropriation of Client Funds by financial consultants

Change in Regulations

In order to avoid private fund dealings between the financial consultants and customers, banks should establish a control mechanism that includes at least the following: establishing an account monitoring mechanism, setting up an abnormal reporting mechanism, and conducting regular or occasional spot checks on the financial consultants' office to prevent consultants keeping customers' passbooks, seals or signed blank transaction slips by stealth.

• Impact and Response Measures

The Bank has established the "Internal Control and Risk Management Practices for Wealth Management Business" with relevant account monitoring, abnormal reporting and transaction monitoring and abnormal management mechanisms.

7-6-2-2 Compliance with the "Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions"

· Change in Regulations

In response to the international trend of automatic exchange of financial account information, the Treasury issued the "Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions" (CRS) on November 16, 2017, which has been in effect since its release.

• Impact and Response Measures

In order to comply with the Code of Practice, the Bank has established relevant practices, set up computer programs, and conducted staff education and training to comply with the Code of Practice.

7-6-2-3 Compliance with "Guidelines Governing Anti-Money Laundering and Combating the Financing of Terrorism by the Banking Sector"

· Change in Regulations

Because the Money Laundering Prevention Act, the Terrorism Prevention Act, the Financial Supervisory Commission and financial-related associations have added or amended regulations for the promulgation of anti-money laundering and anti-terrorism related acts, on January 1, 2017, the Bank established an independent and specialized unit for Anti Money Laundering and Combating the Financing of Terrorism under the Compliance and Legal Affairs Department and amended

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

the Bank's guideline for Anti Money Laundering and Combating the Financing of Terrorism in accordance with the Law. The Company conducts ongoing training for directors, senior management and staff on the topic of Anti Money Laundering and Combating the Financing of Terrorism, and builds information systems to strengthen internal control practices and implement the requirements of the law.

• Impact and Response Measures

The Bank has been required by regulations to verify customer identification and to maintain evidence of transactions with customers, and to monitor accounts and transactions on an ongoing basis: this includes ongoing reviews of customers' business relationships and detailed reviews of their trading processes to ensure that transactions are consistent with the business and risks of the customers and, where necessary, their sources of funding; regular reviews of the adequacy of information obtained to identify customers and actual beneficiaries, and to ensure that such information is updated, particularly for high-risk customers.

7-6-2-4 The impact of the General Data Protection Regulation (hereinafter referred to as GDPR)

Change in Regulations

With the development of digital economy technology and the impact of globalization, the issue of personal data protection has brought many new challenges. On May 24, 2016 The EU passed The General Data Protection Regulation (GDPR) to upgrade the thickness of regulations on protecting personal data and establish an applicable management standard in the EU. GDPR, which was implemented on May 25, 2018, replaces the European Union's 1995 Data Protection Directive.

Impact and Adopting Measures

The bank has not established branches or subsidiaries in the EU. After reviewing the Bank's business development policies and actual business conditions, the Bank has revised the Bank's guideline for personal data maintenance and management.

7-6-2-5 Impact on Procedures for reporting the scope of major contingencies by financial institutions and other matters to be observed

· Change in Regulations

Financial Supervisory Commission announced Procedures for reporting the scope of major contingencies by financial institutions and other matters to be observed on Mar. 22, 2017. It includes the major contingencies reporting institution, scope, procedure, addition the check account occurred per bounce check amount exceeding TWD100 million, Financial Holding company or the head office of domestic bank get the information of foreign subsidiaries or branches that descended rating by the local authorities or the audit report mentioned about not rule out taking counter measures or will retain the power of administrative sanctions, and subsumed the reporting mechanism under the financial institution internal control and check system.

• Impact and Adopting Measures

The bank had subsumed the above compliance matters under the financial institution internal control and check system.

7-6-2-6 Financial Supervisory Commission encourages FinTech and other innovations

Change in Regulations

In recent years, financial technology such as block-chain, artificial intelligence and big data and other related technologies and business models have developed rapidly. Innovative applications have become popular with mobile devices such as mobile phones, prompting financial institutions to substantially increase their investment in financial technology. Through the development of financial technology to enhance competitiveness, the FSC has successively promoted the establishment of a digital financial environment 3.0, relaxed regulations governing financial institutions investing in financial technology industry, established financial technology development funds, promoted

the development of electronic payment, and promoted the experimental mechanism of Fintech innovation. To setup financial technology innovation parks, lifted the ban on Direct Banking. The FSC will promote various incentive and innovation measures, and continue to guide the industry to actively invest in scientific and technological innovation to achieve inclusive financial goals.

Impact and Adopting Measures

The digitalization of finance has become the future of the financial industry. Cota bank continued to strengthen and carry out the education and training for employees to enhance their skills in financial technology and make employees a boost to the development of financial technology.

7-6-2-7 Impact on Basel III

In late December 2007, the Basel Committee on Banking Supervision (BCBS) issued the document "Basel III: Finalising postcrisis reforms", which was originally scheduled to be implemented in 2022 but was postponed by one year to 2023 due to the spread of COVID-19. The capital requirements for exposures in real estate will be based on the Loan-to-Value ("LTV") ratio (the new LTV law), and a new category of exposure in land acquisition, development and construction ("ADC") will be introduced. The Financial Supervisory Commission ("FSC"), in view of the fact that the new LTV law distinguishes between income and general types of residential and commercial real estate exposures based on whether the source of repayment is the cash flow generated from the real estate, and then applies the corresponding risk weights according to the level of LTV, which is more risk-sensitive than the current method of capitalization with fixed risk weights, I hereby plan to advance the convergence with international standards starting from June 2021, and allow banks that are ready to do so to advance their risk weights. The new LTV law will be implemented in June 2021, and banks are allowed to adopt it at the end of 2020 if they are well prepared. After the implementation of the new LTV method, lower risk weights will be applied than the current method to the risk of under 80% LTV, while higher risk weights will be applied to the risk of over 80% LTV. In addition, a higher risk weight of 150% will be applied to ADC's risk exposure, which is higher than the current risk weight of 100% for corporate bonds with no external credit rating. Since the current LTV of real estate exposures handled by domestic banks is below 80% after years of debt service, the new LTV law has a positive impact on the capital adequacy ratio of banks. The amended regulations will have a more precise risk management effect on new real estate loans. Currently, the Bank expects to submit the LTV method to the March 2021 Board of Directors' meeting for discussion and then to the June 2021 Board of Directors' meeting after the Audit Office has issued a review report, so that the Bank can adopt the LTV method by the end of June 2021.

7-6-3. Impact of Technological and Industrial Changes on the Bank's Financial Operations and Adopting Measures

The Bank had provided e-bank service to reduce cost and enhance business efficiency. Although it brings convenience and cost-down, it still had some risks of the information safety such as program errors, system crashes, or hacker attacks. They will therefore create unpredictable losses and operational risks. To avoid the occurrence of the loss events, the Bank will train employees to recognize the information safety and to deal with emergent events. This will reduce the probability of the risk occurrence. In order to enhance the Bank's assets quality and reduce loan risks, the related loan departments provide industrial research reports without a fix schedule and observe the industrial changes at any time.

7-6-4. Impact on the Bank of Changes in the Bank's Image and Adopting Measures

The Bank holds the spirit of "take resource from society and contribute to community" to take the responsibility of the enterprise citizen. Participating active social welfare activities through founded "COTA Culture and Education Foundation". Facing keen competition, the Bank still maintains the spirit of "being respectful to customers" to provide the professional financial services to customers. The Bank hopes to maintain long-term stable relationship with customers by clear and professional image and to create a win-win situation between enterprise and clients.

7. Financial Status Analysis, Operation Performance Analysis and Risk Management



Currently, no merger or acquisition plan.

7-6-6. Expected Benefits and Potential Risks of Branches Location Expansion and Adopting Measures

To expand the scale of customer service, increase business efficiency, and create brand awareness and market share, the Bank cautiously evaluates to expand business location every year cause of the business unit might create operating risk and credit risk.

7-6-7. Risk Arising from the Concentration of Business and Adopting Measures

The Bank had formulated risk limit regulations such as the same person, the same party, affiliates and all kind of industries on loan and investment businesses. In addition, the Bank controls concentration of all bank's business lines through information management system. This can diversify risk, keep assets' quality and assured operating moderate.

7-6-8. The Influence and Risk Posed by Changes in Operating Control Rights and Adopting Measures

There have been no changes in operating control.

7-6-9. The Influence and Risk Posed by Mass Shares Transfer of Directors, Supervisors or Major Shareholders with Shares holding over 1% and Adopting Measures: None

7-6-10. Lawsuits:

The plaintiff, Lin O O et al, filed an incidental civil action for damages against the defendant, Chen O O et al, for violation of the Futures Trading Act. The Taichung District Court of Taiwan has ruled that the Chen O O should compensate the plaintiff, Lin O O et al for their losses. The total translated amount was approximately \$27,292,810 and the interest rate was 5% per annum on average from August 19, 2011 to the date of repayment. The Bank filed an appeal in accordance with the law and was heard by the Taiwan High Court Taichung Branch.

The Company assesses that the above litigation events have not yet had a material impact on its financial operations and that there will be no material changes in its operating policies and decisions.

7-6-11. Other Significant Risks and Adopting Measures

Other risks such as strategically risk, goodwill risk, and the risk of the obedience of laws, the Bank will adjust the business policy in accordance with the change of the market condition and the modification of the laws to enhance business flexibility and competition.

7-7. Crisis Handling System:

- 7-7-1. In order to manage crisis handling system, the Bank formulated some related rules, taking measures, and adopting manual of disasters to effectively reduce damage and protect customers' rights. The Bank also established contingent task team to execute contingency solving measures.
- 7-7-2. In order to rapidly deal with disasters, the Bank established the emergency call and reporting system in the ordinary time. The managers of each unit charges with contact assignment.
- 7-7-3. In the event of significant and unforeseeable contingencies, the Bank will report the event to competent authority in addition to inform police department or related institution to take emergency remedy approaches.
- 7-7-4. In the event of natural disasters, the Bank will obey "The operating directions of the averting disasters for financial institutions" and "The operating directions of closed business as disasters occurring for financial institutions" formulated by competent authority. For check cleaning and dishonored check information filing, the Bank will obey "The operating directions of check cleaning and dishonored check information filing for partly office terminate area" formulated by the Taiwan Cleaning House.

7-8. Other Significant Matters: None

8. Special Notes

- 8-1. Data of Affiliated Company
- 8-1-1. Organization Chart of Affiliated Company: None
- 8-1-2. Profile of Affiliated Company: None
- 8-1-3. Infer Controller and Subsidiary Own the Same Shareholders' Data: None
- 8-1-4. Data of Affiliated Company's Director and Supervisor: None
- 8-1-5. Business Operation of Affiliated Company: None
- 8-1-6. Consolidated Financial Statement of Affiliated Company Details: N/A
- 8-1-7. Affiliated Statement: N/A
- 8-2. Private Placement of Securities: None
- 8-3. Holdings or Disposal the Stock of COTA Bank by Subsidies: None
- 8-4. Other Matters for Supplementary Explanation: None
- 8-5. Pursuant to Item2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices: As of press time, none

Chronological Highlights

2015.01.08	Mr. Liao Song-Yie and Chuan Cheng Hat Co., Ltd. were elected as managing directors in board of directors of the 7th Session of 1st extraordinary meeting.
2015 01 22	Mr. Kun-Hsien Lin, Mr. Kuo-Chao Hsiao and Ying-Che Chang-Corporation Representative of Deng Heng Enterprise Co., Ltd. were
2013.01.23	elected as managing directors in board of directors, Mr. Liao Sung-Yie was elected as Chairman in board of directors of the 7th Session of 3rd extraordinary meeting.
2015.02.07	Legal & Compliance Department founded
	Obtained approval of foreign exchange licenses for branches of Guoguang, Linsen, Nanmen, Jinhua and Beitun.
	Qiaotou Branch opened
	Received 'The best performance of creative industries loan" recognized by FSC
	Gift cards advance payment trust and dealing trust launched
	Held 2015 shareholder's regular meeting.
	For celebrating COTA Bank 100 years of history, 'Living in affluence forever - COTA 100' a hiking event held
	Mobile banking foreign exchange business approved by CBC Foreign Bureaus
	Fengdong Mini-Branch upgraded to Fengdong Branch at the same address as approved by FSC under Doc. No.Chin-Kuan-Yin-He-Tze 10400174980.
2015.08.27	Publically announced cash capital increase issuance of new shares in 2015.
	Trust business online account opened for common customer / wealth management customer launched
2015.10.01	Fengdong Mini-Branch upgraded to Fengdong Branch
2015.10.24	For celebrating COTA Bank 100 years of history, 'Love connection Hot blood - COTA 100' a blood donation charitable event held at SKM Hui-An Parking lot
2015.10.27	Dadu Branch opened
2015.11.27	Fengdong Branch moved to Taiping Dist., Taichung and renamed Taiping Branch as approved by FSC under Doc. No.Chin-Kuan-Yin-He-Tze 10400282100, which self-executing from 2015.11.27
2015.12.01	Electronic Banking Department founded
2016.03.29	New revision website launched.
2016.04.15	A new function added about applying for credit card on line.
2016.04.18	A new function added about account closing with limited amount on line.
2016.06.07	Held 2016 shareholder's regular meeting.
2016.06.08	The Book Donation Project be initiated from TCCE Foundation and COTA donated TWD 0.5 million.
2016.07.27	Publically announced capital increase by earnings in 2016 and cash dividend in 2015.
2016.09.08	Longjing Branch opened
	Fongdong Branch moved and renamed Taiping Branch and reopened for business.
	Provided new currency service that A UD added for FISC domestic clearing platform.
	Tianzhong Branch opened
	Held blood donation charitable event.
2016.12.27	Chairman attended "Golden Security Award" held from JCIC.
	Provided foreign currency ACH.
	New revision mobile banking launched.
	Fengyuan Branch moved to 330 Xiangyang Rd., Fengyuan Dist., Taichung as approved by FSC under Doc. No.Chin-Kuan-Yin-He-Tze 10600057500, which self-executing from 2017.03.15.
	Received Performance rank A of 'Domestic Banks strengthen SME loan'.
	Mr. Jung-Hsien Chiu as President. Insurance Agent Department founded and merged with COTA Bank Insurance Broker Co Ltd.
	B2b banking launched.
	Fengyuan Branch new building started using.
	Held 2017 shareholder's regular meeting.
	IC ATM Card cross border withdrawal/debit launched.
	Publically announced capital increase issuance of new shares in 2017.
	Fengyuan Branch provide Number Taking online service.
	A sponsor of EDEN Social Welfare Foundation '2017 Touching Life'.
	A sponsor of '106 th National Day Celebration Taichung Float Festivals'.
	Publically announced capital increase issuance of new shares by cash in 2017.
	A sponsor of Credit Union League of the Republic of China 'Flying dreams for driving bicycles'.
	A sponsor of GLSF'10 th Bicycles sending Love'
2017 12 22	Held 2017 shareholder's 1 st extraordinary meeting for voting 8 th directors.

Chronological Highlights

	Held blood donation charitable event.
	According to Taiwan Ratings Corp, COTA Bank Debt Rating Data: Long-term: twBBB+, Short-term: twA-2, Outlook: Stable.
2018.01.12	Mr. Ying-Che Chang, Mr. Xian-De Lai, Mr. Min-Chang Lin-Corporation Representative of Chuan Cheng Hat Co., Ltd. and Mr. Kun-Hsien
	Lin were elected as managing directors in board of directors, Mr. Liao Sung-Yie was elected as Chairman in board of directors of the 8th Session of 2rd extraordinary meeting.
2018 03 12	Issued commemoration passbook of Taichung World Flora EXPO 2018
	Received Performance rank A of 'Starup key industry loan'.
	Accessible interface web ATM and get version 2.0 conformance level A launched.
	Issued commemoration debit card of Taichung World Flora EXPO 2018
	Mobile banking cardless withdrawal launched.
	Held 2018 shareholder's regular meeting.
	Obtained approval of foreign exchange licenses for branches of Fengxin, Zhongshan, Daya, Qiaotou and Taiping.
	Publically announced capital increase issuance of new shares by cash in 2018.
	Obtained approval of foreign exchange licenses for branches of Dadu, Longjing and Tianzhong.
	A sponsor of Asialink Sketchwalk Taichung 2018
	Held Leopard cat for one day of clerk at Taichung branch
	A sponsor of EDEN Social Welfare Foundation '2018 Touching Life'.
	A sponsor of Credit Union League of the Republic of China '3 on 3 basketball game'.
	Be honored of FISC E-Cash Flow Services Innovation Awards
2018.12.15	A sponsor of GLSF'11 th Bicycles sending Love'
2018.12.15	Held blood donation charitable event.
2018.12.20	The MOU Signing Ceremony on Financial Supply Chain Blockchain with Tradevan
2018.12.26	According to Taiwan Ratings Corp, COTA Bank Debt Rating Data: Long-term: twBBB+, Short-term: twA-2, Outlook: Stable.
2019.02.24	A sponsor of Association for Victims Support (AVS) 20th anniversary event – Thanksgiving Concert
2019.04.29	Received Performance rank A of 'Starup key industry loan'.
2019.05.22	Certification to ISO 27001 Information Security Management System (ISMS)
2019.06.14	Held 2019 shareholder's regular meeting and amendment approved "Procedures for Acquisition or Disposal of Assets"
	Barrier free mobile banking launched.
	Publically announced capital increase issuance of new shares in 2019.
	Foreign exchange non-discretionary individually managed money trust launched.
	EASYCARD/ATM CARD launched.
	A sponsor of EDEN Social Welfare Foundation '6 th Touching Life Festival'.
	Apply online for personal micro credit loans launched.
	A sponsor of Credit Union League of the Republic of China '3 on 3 basketball game'.
	A sponsor of "Taiwan's Rice Heaven - Tianzhong Marathon"
	Be honored of MOC "14 th Arts & Business Awards" Silver Winner
	Held blood donation charitable event
	According to Taiwan Ratings Corp, COTA Bank Debt Rating Data: Long-term: twBBB+, Short-term: twA-2, Outlook: Stable. Be honored of "The 13 th Golden Security Award" from JCIC
	English interface for Personal Internet Banking launched.
	Held 2020 shareholder's regular meeting
	Publically announced capital increase issuance of new shares in 2020.
	Wire transfers using a phone number launched.
	Qiaotou Branch moved to 683 Chenggong South Road., Qiaotou District, Kaohsiung City.
	Publically announced capital increase issuance of new shares in 2020.
	A sponsor of EDEN Social Welfare Foundation - 2020 Barrier Free Festival.
	A sponsor of Taiwan's Rice Heaven - Tianzhong Marathon
	A sponsor of Credit Union League of the Republic of China - 3 on 3 basketball game.
	A sponsor of Old tree 119 Association – Plant Supplement Event Marathon.
	A sponsor of Consumers Foundation – Thanks 40th Event.
	Held blood donation charitable event
2020.12.18	According to Taiwan Ratings Corp, COTA Bank Debt Rating Data: Long-term: twBBB+, Short-term: twA-2, Outlook: Stable.
2020.12.18	Held 2020 shareholder's extraordinary shareholders meeting and elected 9th session directors
2020.12.29	Mr. Kun-Hsien Lin, Chuan Cheng Hat Co., Ltd., Mr. Hong-Chi Chang and Mr. Jung-Hsien Chiu were elected as managing directors in board
	of directors, and Mr. Liao Sung-Yie was elected as Chairman in board of directors of the 9th Session of 1rd board of directors meeting.

Head Office and Branches

Unit	Address	Tel	Fax
Head Office	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245171	886-4-22275237
Trusts Dept.	2F., .339, Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22807366	886-4-22809021
Insurance Agent Dept.	ce Agent Dept. 3F., .339, Dazhi Road, East District, Taichung City 401, Taiwan		886-4-22801527
International Banking Dept. Offshore Banking Branch	2F., 246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87533599	886-2-87533573
Consumer Banking Center	10F, 580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22384596	886-4-22378150
SME Banking Center	11F, 580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22370028	886-4-22372595
Wealth Management Center	2F., .339, Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22800361	886-4-22809747
Credit Card Center	2F., .339, Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22805288	886-4-22807688
Taichung Branch	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245161	886-4-22234491
Banking Dept.	32-1 Gongyuan Road, Central District, Taichung City 400, Taiwan	886-4-22211186	886-4-22229536
Chenggong Branch	580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22304100	886-4-22304701
Xitun Branch	458 Sec. 2, Henan Road, Xitun District, Taichung City 407, Taiwan	886-4-27062968	886-4-27063816
Guoguang Branch	333 Sec. 3, Fusing Road, South District, Taichung City 402, Taiwan	886-4-22245111	886-4-22229281
Dazhi Branch	339 Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22815998	886-4-22815977
Linsen Branch	99 Linsen Road, West District, Taichung City 403, Taiwan	886-4-23725151	886-4-23723024
Nanmen Branch	75 Nanmen Road, South District, Taichung City 402, Taiwan	886-4-22871146	886-4-22862412
Jinhua Branch	255 Jinhua North Road, North District, Taichung City 404, Taiwan	886-4-22333550	886-4-22335164
Nantun Branch	410 Nantun Road, Nantun District, Taichung City 408, Taiwan	886-4-24718500	886-4-24758522
Beitun Branch	751 Sec. 4, Wunsin Road, Beitun District, Taichung City 406, Taiwan	886-4-22426565	886-4-22417153
Fengyuan Branch	330 Xiangyang Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25151788	886-4-25151895
Zhanghua Branch	181 Sec. 2, Zhongzheng Road, Zhanghua City, Zhanghua County 520, Taiwan	886-4-7298686	886-4-7298585
Yuanlin Branch	189 Sec. 1, Datong Road, Yuanlin Town, Zhanghua County 510, Taiwan	886-4-8383888	886-4-8383666
Taipei Branch	246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87512588	886-2-87512788
Taoyuan Branch	9 Sec. 2, Chenggong Road, Taoyuan City, Taoyuan County 330, Taiwan	886-3-3470505	886-3-3357373
Panchiao Branch	260 Minzu Road, Panchiao City, New Taipei City 220, Taiwan	886-2-89536001	886-2-89536011
Fengxin Branch	353, Zhongshan Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25261181	886-4-25269540
Zhongshan Branch	36, Daming Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25277155	886-4-25269553
Kaohsiung Branch	1, Wenfu Road, Zuoying District, Kaohsiung City 813, Taiwan	886-7-3505685	886-7-3506711
Tainan Branch	438,Sec 2,Datung Road, South District, Tainan City 702, Taiwan	886-6-2130966	886-6-2149088
Xinzhuang Branch	287, Chung Ping Road, Xinzhuang District, New Taipei City 242, Taiwan	886-2-22768887	886-2-22768611
Xinzhu Branch	196, Minsheng Road, East District, Hsinchu City 300, Taiwan	886-3-5313225	886-3-5323611
Fengshan Branch	478, Wenheng Road, Fengshan District, Kaohsiung City 830, Taiwan	886-7-7676772	886-7-7678719
Daya Branch	336, Yahuan Road, Daya District, Taichung City 428, Taiwan	886-4-25692549	886-4-25693431
Qiaotou Branch	55, Chenggong Road, Qiaotou District, Kaohsiung City 825, Taiwan	886-7-6116860	886-7-6112208
Dadu Branch	426-7, Sec.1, Shatian Road, Dadu District, Taichung City 432, Taiwan	886-4-26930289	886-4-26930293
Longjing Branch	196, Sec. 1, Zhongyang Rd., Longjing Dist., Taichung City 434, Taiwan	886-4-26397699	886-4-26397106
Tianzhong Branch	136, Sec. 2, Yuanji Rd., Tianzhong Township, Changhua County 520, Taiwan	886-4-8750886	886-4-8751268
Taiping Branch	233, Huantai E. Rd., Taiping Dist., Taichung City 411, Taiwan	886-4-23915189	886-4-23915255

COTA Commercial Bank Code of Ethical Conduct

Article 1

The Code of Ethics of COTA Commercial Bank (the "COTA") was established for the directors and managers of the COTA, as well as persons with the power of signature and managing matters for the COTA, so that they can comply with ethical standards.

Article 2

Directors, managers and persons with the power of signature and managing matters for the COTA must be objective and effective in handling COTA business and must not use their role in the COTA to allow themselves, their spouses, parents, children or close second-level relatives to obtain inappropriate benefits. The COTA must avoid any conflict of interest when providing capital loans or guarantees, or conducting major asset trading or buying (selling) transactions for enterprises related to the aforementioned personnel. These persons must voluntarily explain if there is any potential conflict of interest between themselves and the COTA.

Article 3

Directors, managers and persons with the power of signature and managing matters for the COTA must not:

- plan to obtain personal gains by using COTA assets, COTA information, or their role in the COTA;
- (2) compete with the COTA. When opportunities for the COTA to obtain profits arise, directors, managers and persons with the power of signature and managing matters for the COTA have the responsibility to increase the legitimate and legal benefits the COTA may possibly gain.

Article 4

Directors, managers and persons with the power of signature and managing matters for the COTA must uphold the principles of fairness, integrity and transparency in the commercial process and shall not offer, promise, demand or receive any improper benefits directly or indirectly, nor commit unethical acts that violate the ethics, laws or their duties to obtain or maintain the benefit.

Article 5

Directors, managers and persons with the power of signature and managing matters for the COTA are obligated to not divulge information of the COTA or its buying (selling) clients unless otherwise authorized or required by law. Information to be concealed includes all unpublished information that, if leaked, may be used by competitors or cause damage to the COTA or its clients.

Article 6

Directors, managers and persons with the power of signature and managing matters for the COTA must treat buying (selling) clients, competitors and staff fairly, and must not gain benefits inappropriately by manipulating, concealing or abusing information obtained as part of their role in the COTA; or by misrepresenting important facts or employing other unfair trading practices.

Article 7

Directors, managers and persons with the power of signature and managing matters for the COTA have the responsibility to protect the assets of the COTA and ensure their effective and legal use in the business.

Article 8

Directors, managers and persons with the power of signature and managing matters for the COTA must comply with the Financial Holding COTA Act and the Securities and Exchange Act, follow other rules and regulations, and enforce the publicity of ethical values.

Article 9

The COTA encourages staff to report to the board of directors, managers, Chief of Internal Audit or other appropriate personnel in the event that they suspect or discover behavior contrary to the laws and regulations or the Code of Ethics, and to provide sufficient information for the COTA to take appropriate follow-up action.

To encourage employees to report violations, the COTA should set up a specific report system and let employees know that the COTA will make every effort to protect the safety of the reporter from suffering retaliation.

Article 10

If there is a situation where a director, manager or a person with the power of signature and managing matters for the COTA breaches the Code of Ethics, the COTA shall take disciplinary action in accordance with the COTA Act, the Articles of Incorporation, international regulations or other related laws and regulations, and the COTA shall immediately disclose the information regarding the violation on the Market Observation Post System, including the title and name of the offender, violation date and reason, code of violation, processing status, etc. The COTA should also establish a corresponding appeals system to provide assistance for personnel accused of breaching the Code of Ethics.

Article 11

The approval of the board of directors is required if an exemption to follow the Code of Ethics by directors, managers or persons with the power of signature and managing matters for the COTA is necessary. Details of the exemption, including exempt person, title, date approved by the board, independent directors' opposing or reserved opinions, period of the exemption, reason for the exemption and the code applicable, must be posted on MOPs in a timely manner. This allows shareholders to assess if the decision of the board was appropriate and should suppress suspicious exemptions or exemptions requested at will from happening. It also ensures that a proper control and management system exists for any exemption in order to protect the interests of the COTA.

Article 12

Code of the chairman and general manager of a bank hold a concurrent post of non-financial enterprise:

- (1) Internal management of representative holds a concurrent The chairman, general manager or as well as persons with the power of non-financial enterprise whom must not hold a concurrent head post of COTA.
- (2) As chairman and general manager hold a concurrent post of nonfinancial enterprises who must sign a letter of undertaking including:
 - (2-1) Must not hold a chairman, general manager or as well as persons with the power.
 - (2-2) Must comply with interested party control of COTA
 - (2-3) Must comply with the duty of loyalty of COTA

Article 13

The COTA should publish its Code of Ethics on annual report, public information booklet and the Open Information observatory; it should do so whenever the Code of Ethics is revised.

Article 14

The Code of Ethics of the COTA will be implemented after being approved by the board of directors, audit committee and will be presented in shareholders' meetings; and the same shall apply whenever it is revised.

